



XREF

2020

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# Annual Report







# Contents

2020 Highlights	2
Chairman's Report	4
Chief Executive Officer and Chief Strategy Officer Report	6
Directors' Report	8
Independence declaration	24
Financial Statements	25
Notes to the financial statements	31
Director's Declaration	74
Independent Auditor's Report	75
Shareholder Information	80
Corporate Directory	84



## General information

The financial statements cover Xref Limited as a consolidated entity consisting of Xref Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Xref Limited's functional and presentation currency.

Xref Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

**Suite 17, 13 Hickson Road,  
Dawes Point, New South Wales, Australia, 2000**

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2020. The directors have the power to amend and reissue the financial statements.



## 2020 Highlights

Total Cash Collections

**\$10.7**  
million

Recognised Revenue

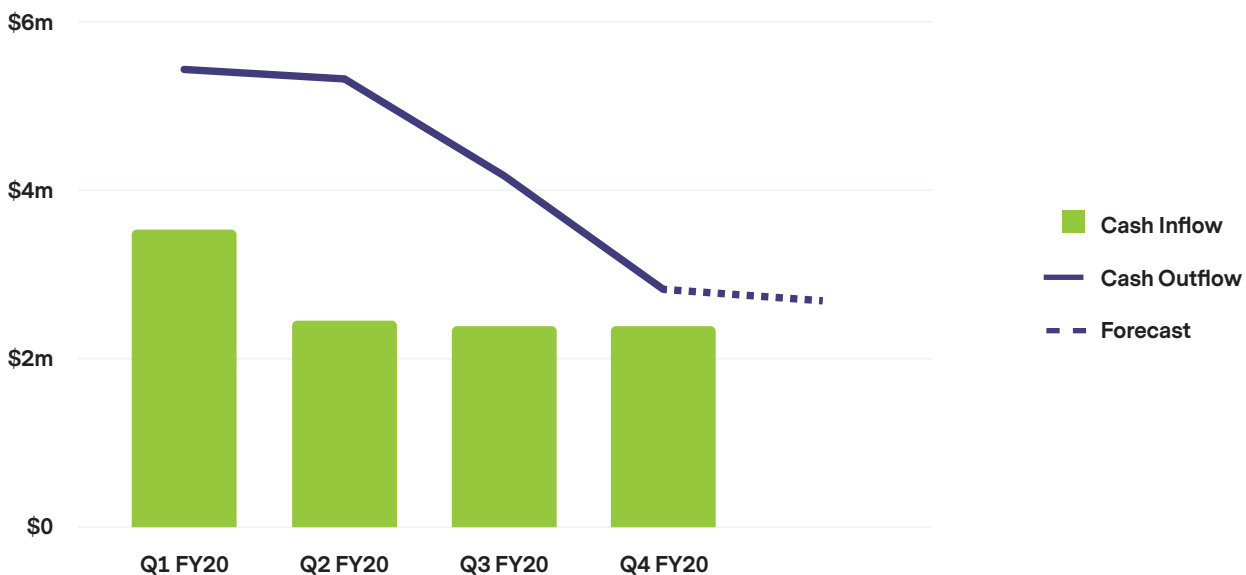
**\$8.03**  
million

Cash Burn Rate

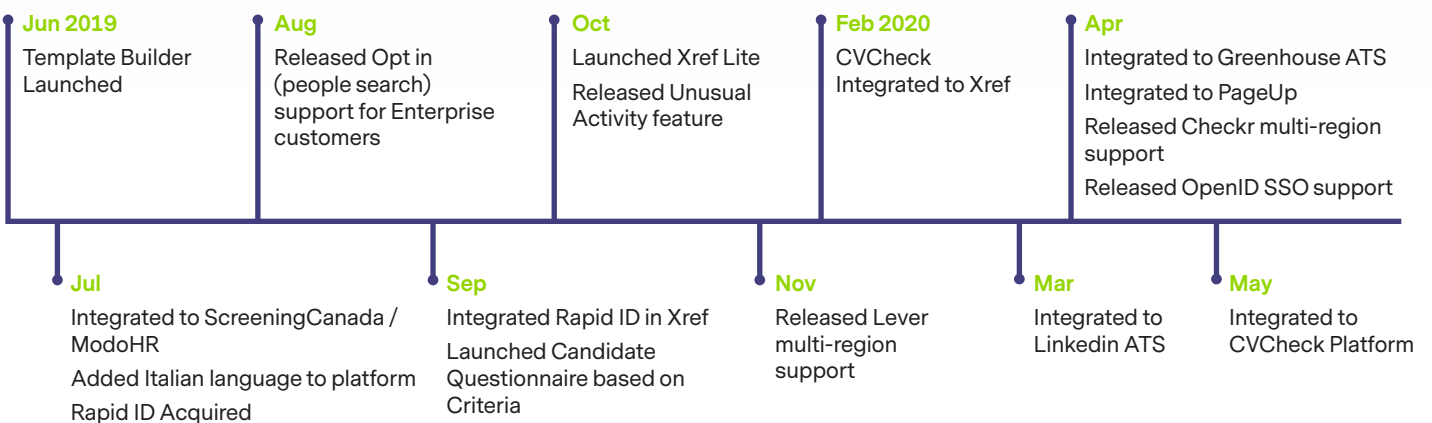
**54%**  
reduction\*

\*Xref's cash burn reduced 54% from H1 2020 to H2 2020.

### Quarterly Cash Expenses vs Cash Collection

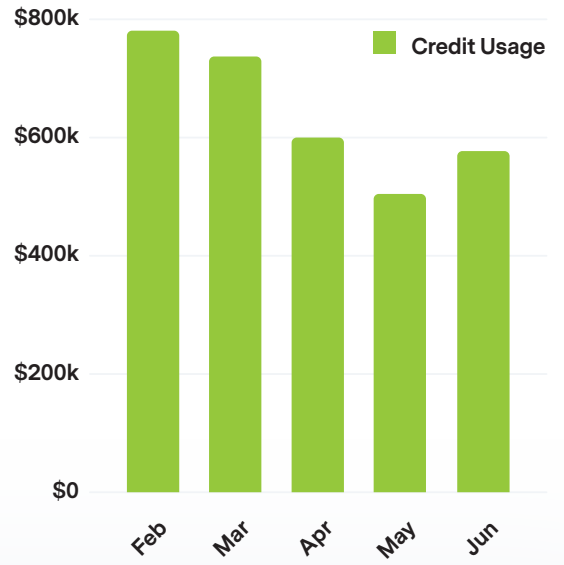
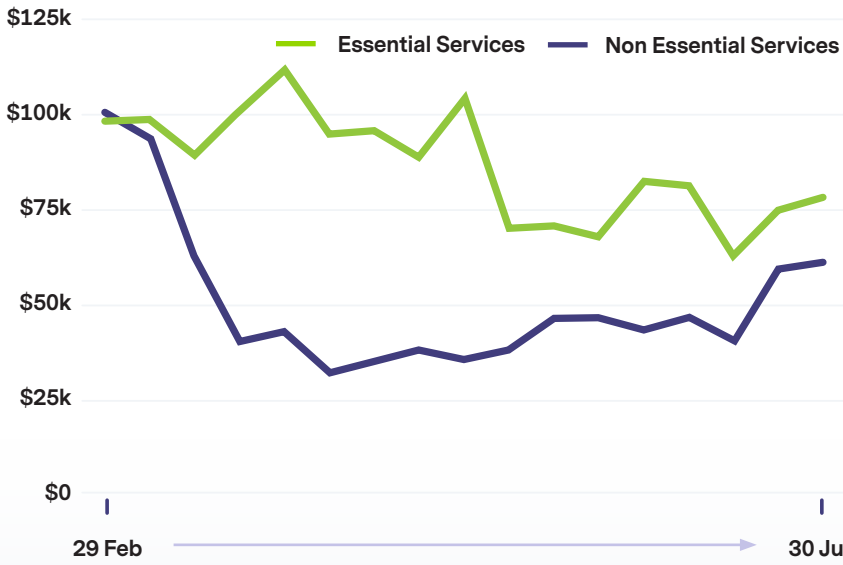


### Development Timeline

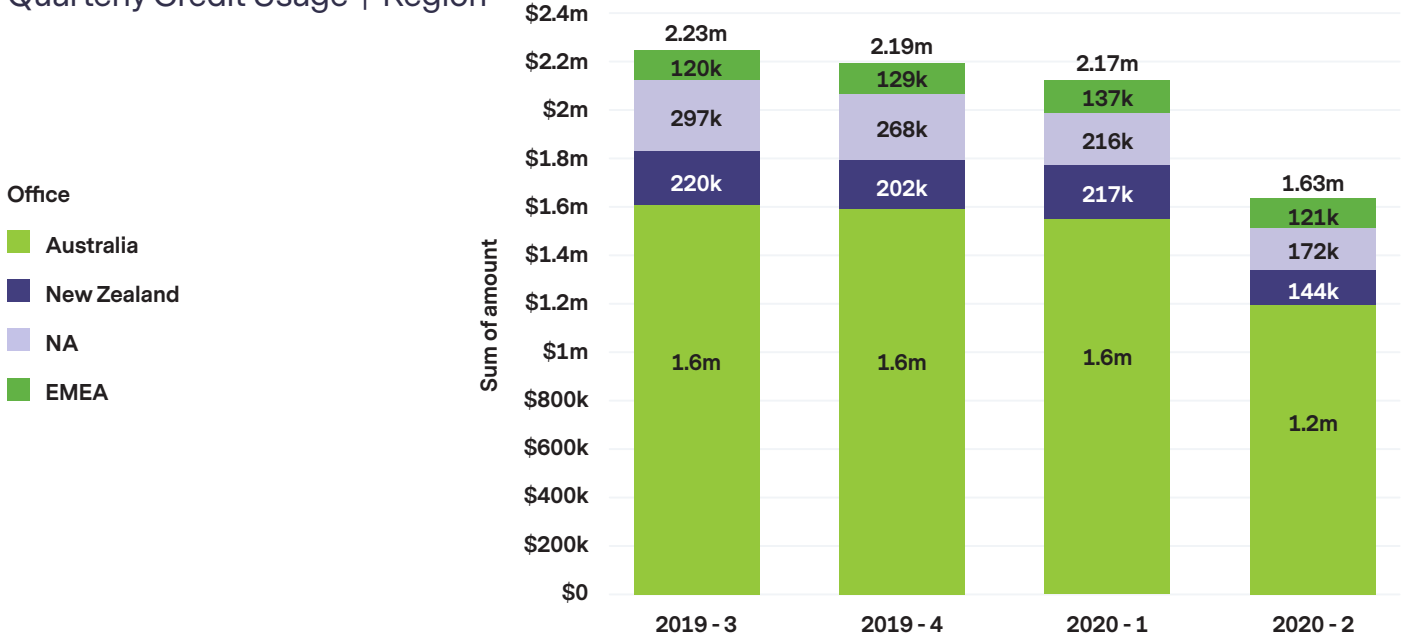




## COVID-19 | Revenue Recovery



## Quarterly Credit Usage | Region



## Overseas Sales and Locations

### Sales by Region

APAC	84%
NA	9%
EMEA	7%



# Chairman's Report



## Welcome to the fifth annual report from Xref

It's with great pride that I welcome shareholders to Xref's annual report for the 2020 financial year - a year that presented a number of major challenges but through which Xref was able to not only survive but thrive.

Until the beginning of the 2020 calendar year, Xref's service was predominantly used in sectors that are now considered non-essential in a pandemic. Xref had a first-mover advantage that made it a trusted provider of a vital recruitment solution. However, when the COVID-19 pandemic took hold, Xref became an important tool for organisations providing essential services. Essential services organisations urgently needed to confidently and efficiently increase their headcount and found they could rely on Xref to validate their hires and ensure that, despite the urgency in their decision-making, they were still placing the right people into critical roles.

## A foundation for success

The Company's primary focus during the 2020 financial year was to reach cash flow break-even and, despite the extremely challenging market conditions, it made positive progress towards doing so.

The leadership team had already taken steps to set the business up for success prior to COVID-19, by streamlining operations, preserving cash and pivoting the focus of the marketing function from sales support to online lead generation.

When the pandemic hit the business recognised the increasing demand from essential service organisations and both the team and platform were agile enough to adapt and provide the service required.

Both of these factors ensured that Xref has survived the initial and ongoing effects of the global economic slowdown

## Driving efficiencies and revenue

Building efficiencies in the acquisition, onboarding, support and growth of clients has seen Xref evolve into a more lean and productive organisation. By developing a host of channel integrations, multi-regional capabilities, and self-serve features and by redirecting marketing efforts, the business is now able to operate far more efficiently.

Since December 2019, Xref has scaled back event costs, travel, development costs, office leases and has reduced headcount. As a result cash expenses in the second half of the year decreased by 35% when compared to the first half of the year and decreased 15% when compared to the same period last year. Overall, cash burn in the second half of the year was \$2.2m compared to \$3.3m in the same period last year, a 34% reduction. Compared to the first half of the financial year Xref achieved a 54% reduction in cash burn.

Cash was also bolstered by a \$3.496m placement of ordinary shares in December 2019. Subsequent to year-end a \$5 million debt facility was also established in July 2020.

## Adapting to the new normal

The Xref team has quickly adapted to working from home, ensuring no impact to the high level of service experienced by clients. As businesses globally endeavour to do the same, Xref has become a trusted partner, ensuring that remote teams are able to confidently verify new recruits despite having often never met them in person.

Through the introduction of Xref Lite, the business has also made it possible for new clients to use the market-leading reference checking service quickly and inexpensively. For smaller organisations (which were not historically Xref's target market) the Lite product may remain their primary reference checking service. For larger organisations, Lite provides a quick and effective means to trial our services before moving to our enterprise solution.

This self-serve variant of the platform enables Xref to support organisations that have been forced to adapt almost overnight to an entirely digital way of working, with a simple and intuitive solution that meets a very real need for those hiring,

## Outlook

Previous success gained through strategic partnerships and ongoing platform evolution created a strong foundation that the Xref platform and team could rely on when market conditions became difficult.

Having demonstrated its ability to navigate extremely turbulent circumstances, and allow clients to do the same, life during and after COVID-19 looks very positive for the company. The strength of the Xref leadership team and the difficult decisions they make on behalf of the business continue to underpin its success.

Brad Rosser,  
Chairman







# Chief Executive Officer and Chief Strategy Officer Report

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## A year of achievements in spite of adversity

At the conclusion of FY20 we can say it has been a year of two halves. The first half of the financial year included significant milestones in the Xref journey, with notable partnerships formed, further international expansion and the launch of Xref Lite.

The unanticipated challenges of the second half of the year presented difficulties for businesses globally. However, despite the turbulent market conditions, caused by fires and floods across Australia and the pressures of COVID-19 globally, Xref was able to maintain solid sales performance.

## Sales strength and cash stability

Regardless of economic uncertainty, the Xref service has remained in demand and sales of \$9.8million for the year paint an impressive picture of what the platform and team are able to achieve during a time of crisis.

Since November 2019 we have been primarily focused on reaching cash flow break even and all signs were showing that we would do so by the end of the second quarter. The impact of COVID-19, however, put pressure on our cash flow and focused our efforts to further reduce cash expenditure.

Although we are close to cash flow break even, we recognise the support we have had during the pandemic in the form of government subsidies and we remain focused on achieving cash flow break even under normal trading conditions in the 2021 financial year.

## Creating a lean business

The stability of Xref during COVID-19 can be attributed, in a large part, to the work done prior to the pandemic, to create a business that is lean and focused on productivity.

Since December 2019, we have scaled back event costs, travel, development costs, office leases and reduced headcount from 98 to 61 people, including the closure of our Norway office and the reallocation of Norwegian operations to our UK team. Despite reducing our headcount, we have been able to maintain productivity with a core team that is committed to delivering results. These steps have resulted in a dramatic reduction in cash expenses without compromising our ability to grow.



## International sales recovery

On the 25th March 2020, New Zealand entered full lockdown restrictions as a result of the COVID-19 pandemic. Credit usage was upheld by the clients deemed 'essential' during the crisis and despite an initial drop, sales started to grow from mid-April. On the 8th June, a week after the New Zealand national holiday (Queens Birthday) all restrictions were lifted. Sales and usage immediately returned to peak levels.

## Marketing-driven results

As part of our focus on improving the efficiencies of our operations, we have redirected our marketing efforts from sales support to online lead generation.

The marketing function has since been focused on:

- » retargeting existing leads with digital campaigns;
- » leveraging new lead opportunities through integration partnerships;
- » improving engagement with clients and prospects through increased online resources; and
- » driving awareness of the platform through growth of presence on review sites, such as G2, and client case studies on the Xref website.

## New demands driven by COVID-19

Our focus on supporting organisations within the 'trust' economy, strengthened our position in an otherwise challenging market. Of all Xref clients globally, 35% are deemed 'essential services', operating within frontline sectors such as healthcare, government, education, volunteer services, healthcare recruitment, essential transport services, and even video conferencing businesses. Prior to COVID-19, 50% of all credit usage originated from these clients.

Xref credits used during the final quarter of the year - when global lockdowns were in place and businesses around the world were feeling the impact of COVID-19 - totalled \$1.7 million. An increase in usage from non-essential services saw usage grow by 12.5% in June compared to May.

The flexibility and agility of the Xref platform ensures we are seen as a trusted provider during difficult times. The speed with which the platform can be introduced to an organisation and its ability to scale up and down with clients' needs enables us to meet the needs of those still hiring during the pandemic.

## Landmark clients wins

The number of active clients using the platform increased to more than 1,100 during the first half of the year and, despite market challenges, increased by a further 123 new clients in the second half.

Between July and December 2019, 192 new clients joined Xref, an increase of more than 67% on the number of new clients joining in the previous corresponding period. Q2 was the most successful for client acquisition, with 80 of the new clients added during that time.

New clients during the first half of the year included the Ministry of Social Development in New Zealand; Tourism Australia, Tennis Australia, Cricket Australia, Knox Grammar School, Sigma Healthcare and Schneider Electric in Australia; Turner & Townsend, Kelly Service and Lenovo in the UK, Texas A&M University, the University of Alberta and Mastery Schools in the US, EY and Trondheim Kommune in Norway, and Brussels Airlines in Belgium.

New clients introduced during the second half included Fujitsu, TAFE, Datacom, Frucor Suntory, NSW Public Service Commission and Zip Co in Australia; Land Information New Zealand and Douglas Pharmaceuticals in New Zealand; Babylon Health in Canada; Etsy in the United States; The Norwegian Tax Administration and Wilhelmsen in Norway and The Telegraph Media Group in the United Kingdom.

## Changing market trends

In March 2020, in line with government directives in all the regions we operate in, the Xref team began to work from home. It was and continues to be our commitment that the service our clients have come to expect and love is in no way jeopardised by the increasingly dispersed nature of our team. Thankfully, as a business that practices what we preach, with automation and tech-based solutions in place wherever possible, we were able to take our operations remote with no impact on the delivery of our service.

COVID-19 accelerated global demand for remote working and, as a result, employers' desire to improve governance in this environment is increasing and they are seeking better ways to perform candidate verification. A reduction in the size of talent acquisition teams across businesses globally has also increased the need for efficiency, consistency and security of the hiring processes adopted.

Our reliance on outbound direct sales activities is fast being replaced by the need to capture growing market demand. We have witnessed a rise in inbound leads as a result of our channel partner integrations, global digital strategy and the network effect generated through the numerous sectors and global regions we are used in.

### Demand for self-serve solutions

Businesses are increasingly operating on a self-serve basis. Reduced headcounts, stretched budgets and urgent hiring needs all contribute to a requirement for solutions that can be found, purchased and onboarded with ease and speed.

The Xref Lite platform was launched in October 2019, delivering the core functionality and capability of the Xref platform, in a self-service, single-user format.

Xref Lite dramatically reduces the time-to-purchase, allowing for a one-day customer journey, whereby a potential user can search for a solution, find Xref, create an account, use a free credit and then buy credits for future use, transforming the way their organisation references, all within the same day.

Xref Lite also significantly expedites the time taken to onboard new clients, allowing Xref's global sales and customer success teams to exclusively focus on finding, securing and supporting new enterprise users.

### Integrations and acquisitions

Xref can acquire clients via the self-serve platform, our in-house enterprise sales teams or via our channel partners and we continued to launch new integration partnerships during FY20.

Integrations introduced with joint go to market campaigns included:

- » February — CVCheck was integrated into the Xref platform
- » March — Xref was added to the LinkedIn Talent Hub
- » April — Xref was integrated into the Greenhouse and PageUp platforms
- » May — Xref was added to the CVCheck platform

On 1st July 2019, we were also delighted to announce the acquisition of RapidID. RapidID is a highly complementary and strategically important acquisition for Xref. Its technology has been integrated into Xref's core platform and it now allows Xref's clients and channel partners to perform identity checks on candidates.

### Industry recognition

G2 is the world's largest tech marketplace where businesses can discover, review, and manage the technology they need.

G2 is considered the industry standard for comparing enterprise technology platforms, particularly within the North American market. To provide a review on G2, you must prove you are a registered user of the platform, which offers consumers a degree of trust when assessing their technology options.

G2 measured Xref's performance against its global competitors for the March and June quarters and, as a result, the Company joined the review platform's 'Leader' quadrant and was awarded the 'High Performer' badge for Enterprise and Mid-Market usage, as well as the much-coveted 'Users Love Us' category.

### Outlook

Despite all that this year has entailed, we have concluded it with our usual commitment and determination for continued growth in FY21.

We have a lean cost structure that will be pivotal in our drive to reach cash flow break even and the changes made to our team and operations have created a stronger foundation for growth through both direct sales and indirect sales via partnerships.

While COVID-19 has undoubtedly had a devastating impact globally, we are delighted with the results we have achieved when faced with such a major global crisis and we are thrilled that we have been able to continue to support the organisations that need us most.

We look forward to another successful year ahead, with new revenue streams coming from RapidID, more integrations and the introduction of additional Xref products.

We have a strong board, focused leadership and dedicated team to take advantage of the huge opportunity that lies ahead for us as the world adjusts to the new normal.



**Lee-Martin Seymour,**  
**Chief Executive Officer,**  
**Co-Founder**



**Tim Griffiths,**  
**Chief Strategy Officer,**  
**Co-Founder**







# Directors' Report

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The directors present their report, together with the financial statements, on the Group (referred to hereafter as the 'Group') consisting of Xref Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

## Directors

The following persons were directors of Xref Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Lee-Martin Seymour
- Timothy Griffiths
- Timothy Mahony (Resigned: 22 November 2019)
- Brad Rosser
- Nigel Heap

## Principal activities

During the financial year the Group continued to conduct its core activity which was to develop human resources technology that automates the candidate reference process for employers.

## Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

## Review of Operations

The loss for the Group after providing for income tax amounted to \$10,056,090 (30 June 2019: \$8,181,826).

Highlights of the financial year included:

- **Sales** — \$9.8m - Remaining strong during 2020 despite the impact of COVID-19 in the second half of the financial year
- **International sales** — \$2.56m - representing 26% of global sales
- **Recognised revenue** — \$8.03m - despite the impact of COVID-19 across the recruitment sector usage of the platform continued and the result for the year was pleasing.
- **User growth** — active users grew 19.5% during 2020 to over 11,100
- **Xref Lite launch** — delivering the core functionality and capability of the Xref platform, in a self-service, single-user format.
- **Integrations** — integrations completed with CVCheck, LinkedIn Talent Hub, Greenhouse and PageUp.
- **Funding** — a placement of ordinary shares to the value of \$3.496 million in December 2019, and a \$5 million debt facility entered into in July 2020.
- **Landmark clients** — major enterprise accounts introduced during FY19, including Tourism Australia, Tennis Australia, Cricket Australia, Fujitsu, TAFE, Datacom, Sigma Healthcare and Schneider Electric in Australia; Land Information New Zealand and Douglas Pharmaceuticals in New Zealand; Turner & Townsend, Kelly Service, Lenovo and The Telegraph Media Group in the UK; Texas A&M University, the University of Alberta, Etsy and Mastery Schools in the US; EY, Trondheim Kommune, The Norwegian Tax Administration and Wilhelmsen in Norway.

The company continued to capitalise on high demand for its core service, automated candidate referencing, in a growing human resources technology market. The major drivers behind revenue growth included:

- **Growth through integration** — partnerships continue to be a major driver for growth, with major new integrations introduced to drive growth into new regions and further increase the value of the Xref service for customers. Credit usage by customers through an integration grew 36% during 2020 to \$1.9 million.
- **International expansion** — The company continues to grow its operations globally, from its headquarters in Sydney and offices in Toronto, London, and Auckland.
- **Large addressable market** — Xref has a large addressable market, including more than 180 million people in North America, 120 million people in Europe, and 15 million people in Australia and New Zealand.

## Corporate

On 9 August 2019 Xref Limited acquired 100% of the ordinary shares of Rapid ID Pty Limited for the total consideration of \$1,712,040. Rapid ID is an ID verification and fraud prevention platform which aggregates leading customer verification technologies to offer its clients a flexible and seamless integration for onboarding and risk analysis monitoring. The platform is able to perform GlobalID Checks, AML & KYC Compliance, ID Document Verification and Biometric Verification. It was acquired to offer Xref's clients with an integrated method to verify the identity of the candidates they are working with.

During the last quarter of the financial year it was determined by the directors to close the Norway office and transfer management of existing accounts and sales operations to the EMEA head office based in London. The subsidiary that operated out of Oslo Norway, Xref AS is currently being wound up in accordance with Norwegian Corporations Law. There has been no major impact on the operations in Norway with sales continuing to be made to Norwegian businesses out of Xref UK.

There were no other significant changes in the state of affairs of the Group during the financial year.

## Matters subsequent to the end of the financial year

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries. Despite the impact, Xref recorded its lowest cash burn quarter since listing, in Quarter 4 2020 due to a focus on cost reduction that has been ongoing since December 2019 combined with strong sales from those sectors deemed essential services. This cost reduction focus, both prior to the outbreak of COVID-19 and after has been a financially positive outcome. Management has reviewed the company's cashflow forecast as a result of COVID-19 and made changes accordingly.

On July 8, 2020 the Board approved the issue of 2,674,632 new fully paid ordinary shares to 56 Xref staff. These shares were issued at the then average volume-weighted share price of 18 cents. The shares were issued to replace the forgone earnings of all Xref staff who were reduced to working 4 days per week for the last quarter of the financial year, including a proportion of individual performance bonuses forgone for the same quarter which were also replaced with shares. Additionally shares were issued to members of the sales team as part of a commission scheme restructure. This announcement was released to the market on 8 July 2020.

Xref returned to a five-day working week on the 1st July as a result of the successful fourth quarter.

On July 20, 2020, the Board approved the issue of 2,931,099 Options with an exercise price of 35 cents to 50 eligible employees as part of the Xref Employee Option plan. The options vest on 15 January 2021 and are exercisable until 15 January 2024. This announcement was released to the market on 20 July 2020.

On July 31, 2020 Xref entered into a secured \$5m debt facility with Pure Asset Management to support the Company's growth strategies. This included the issue of 14,285,714 detached warrants at an exercise price of 35 cents which expire on July 31, 2024. Full details of the facility were announced to the market on 31 July 2020.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.



### Likely developments and expected results of operation

The group anticipates continued growth across all business metrics and, having a strong pipeline of new business opportunities across all markets in which it operates, continues to maintain a dynamic growth trajectory.

Despite the impacts of COVID-19 the group anticipates continued growth in revenue due to maintaining a strong pipeline of new business opportunities across all markets in which it operates. The shift in the marketing strategy combined with a reduction in operating cost structures will result in a lowering of the cost of customer acquisition & maintenance which supports Xref's focus on achieving cashflow profitability in the near term.

### Environmental issues

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

### Information on directors

<b>Name:</b>	<b>Lee-Martin Seymour</b>
Title:	Managing Director and Chief Executive Officer
Qualifications:	None
Experience and expertise:	Lee-Martin Seymour is a co-founder of Xref. He has 20 years recruitment experience across many geographic and market sectors. For 13 years Lee worked for one of the world's largest specialist recruitment companies. As a result he understands the demands of the employment market and is passionate about pioneering positive change for the long term. As a serial entrepreneur Lee has identified and successfully leveraged market opportunities to aid innovation in the employment sector.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities	Member of the Remuneration and Nomination Committee
Interest in shares:	31,101,476 ordinary shares
Interest in options:	None
Contractual rights to shares:	8,333,333 performance rights

<b>Name:</b>	<b>Timothy Griffiths</b>
Title:	Chief Strategy Officer
Qualifications:	MBA
Experience and expertise:	Timothy Griffiths is a co-founder of Xref. Mr Griffiths, an MBA-qualified technologist, has 23 years' experience advising companies, including Virgin and SkyTV. He worked for Benchmark Capital providing technical diligence for high tech start-up investment and was co-founder of media company a2a plc, which floated on the UK stock market. More recently Tim was CIO for Jcurve Solutions, an Australian cloud NetSuite ERP provider.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities	Member of Audit and Risk Committee
Interest in shares:	30,857,613 ordinary shares
Interest in options:	None
Contractual rights to shares:	8,333,333 performance rights

<b>Name:</b>	<b>Brad Rosser</b>
Title:	Chairman
Qualifications:	BCom, MBA
Experience and expertise:	Brad Rosser is a business builder and entrepreneur who worked for McKinsey and Co from 1992 to 1995 before working directly for Richard Branson as Director of Corporate Development for Virgin from 1995 to 1999, helping to identify and implement start-up businesses. He holds an MBA from Cornell University's Johnson Graduate School of Management and a Bachelor of Commerce (Honours) from the University of Western Australia.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities	Member of the Audit and Risk Committee and Remuneration and Nomination Committee
Interest in shares:	None
Interest in options:	7,000,000 options
Contractual rights to shares:	None

<b>Name:</b>	<b>Nigel Heap</b>
Title:	Non-Executive Director
Qualifications:	LLB, AMP
Experience and expertise:	Nigel Hays is the UK Ireland Managing Director, and Chairman of the Asia Pacific business, of Hays plc, the leading global professional recruitment group, and a member of the group's management board. He joined Hays in 1988 and over the last 20 years has successfully led the growth of the Asia-Pacific business. He has completed INSEAD's Advanced Management Program and holds a Bachelor of Laws from Manchester University.
Other current directorships:	Hays UK Ltd
Former directorships (last 3 years):	None
Special responsibilities	Member of the Audit and Risk Committee
Interest in shares:	18,000 ordinary shares
Interest in options:	900,000 options
Contractual rights to shares:	None



## Directors' Report

<b>Name:</b>	<b>Tim Mahony (Resigned: 22 November 2019)</b>
Title:	Non-Executive Director
Qualifications:	BFinAdmin
Experience and expertise:	Timothy Mahony spent 19 years in investment banking, specialising in capital markets and debt trading. Tim has been involved, as investor or founder, in a number of technology start ups, either successfully exiting the business or growing the business to a mature growth phase. He is a founder and director of Globalx Information, a digital information company providing information, software and services to the legal, corporate and spatial markets throughout Australia and the UK.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities	Member of the Audit and Risk Committee and Remuneration and Nomination Committee
Interest in shares:	1,550,000 ordinary shares
Interest in options:	None
Contractual rights to shares:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

### Key Management Personnel

#### *Chief Financial Officer*

Mr James Solomons, BComm, FCA, CTA, GAICD

James is a chartered accountant with over 20 years of experience within the accounting & corporate finance industry. He has held various roles within the sector and has positioned himself as a leader in the accounting technology space bringing with him to Xref over 4 years of experience as Xero Australia's Head of Accounting. A successful entrepreneur in his own right James has a deep understanding of the need to find a balance between investing for growth whilst maintaining strong corporate governance processes across the business.

#### *Company Secretary*

Mr Robert Waring, BEc, ACA, FCIS, ASIA, FAICD

Robert has more than 41 years of experience in financial and corporate roles, including more than 25 years in company secretarial roles for ASX-listed companies. He is a director of Oakhill Hamilton Pty Ltd, a company that provides secretarial and corporate advisory services to a range of listed and unlisted companies. He is also the Company Secretary of ASX-listed companies Aeris Environmental Ltd, Cobalt Blue Holdings Limited and Vectus Biosystems Limited.

## Meetings of directors

During the financial year, 12 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

The number of meetings of the Company's Board of Directors and of each Board Committee held during the 2019-20 financial year, and the number of meetings attended by each Director were as follows:

	Board meetings held	Audit and Risk Committee meetings held	Remuneration and Nomination Committee meetings held	****Disclosure Committee meetings held
	12	2	0	0
Directors	Attended	Attended	Attended	Attended
Brad Rosser**	11	2	–	–
Lee-Martin Seymour	11	N/A	–	–
Timothy Griffiths***	10	1	N/A	–
Timothy Mahony†	4	1	–	N/A
Nigel Heap***	12	2	–	N/A

†Ceased to be a Director on 22 November 2019 (and hence ceased to be the Chairman of the Audit and Risk Committee, and a member of the Remuneration and Nomination Committee).

\*\*Chairman of the Board, and Chairman of the Remuneration and Nomination Committee.

\*\*\*Chairman of the Audit and Risk Committee from 17 December 2019, and joined as a member of the Remuneration and Nomination Committee on 17 December 2019.

\*\*\*\*Re-joined as a member of the Audit and Risk Committee on 17 December 2019.

\*\*\*\*\*Disclosure Committee established on 25 February 2020.

## Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel



### Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non financial drivers of value
- attracting and retaining high calibre executives
- increasing return on assets as well as focusing the executive on key non-financial drivers of value

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

#### *Non-executive directors remuneration*

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate Non-Executive Directors' remuneration be determined periodically by a general meeting. In the Prospectus dated 23th December 2015, noted on Page 18 the current maximum annual aggregate remuneration for directors was shown as \$200,000. This has changed and a resolution was passed at the 2016 AGM that the maximum aggregate cash-based remuneration payable to Non Executive Directors in any financial year be increased by A\$300,000 from A\$200,000 to A\$500,000.

#### *Executive remuneration*

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components. The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration and Nomination Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders value relative to the entire market and the increase compared to the Group's direct competitors.

#### *The Company's 2020 Annual Meeting ("AGM")*

A Remuneration Report has been prepared for the 2020 year and a resolution will be put to the 2020 AGM to ask shareholders to approve it.

### Details of remuneration

#### *Amounts of remuneration*

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following directors of Xref Limited:

- Lee-Martin Seymour – Managing Director & Chief Executive Officer
- Timothy Griffiths – Executive Director & Chief Strategy Officer
- Timothy Mahony – Non-Executive Director (Resigned: 22 November 2019)
- Nigel Heap – Non-Executive Director
- Brad Rosser – Chairman

And the Key Management Personnel:

- James Solomons – Chief Financial Officer
- Robert Waring – Company Secretary

## Directors' Report

2020	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service Leave	Equity settled	
	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Brad Rosser	169,845	-	-	-	-	48,787	218,632
Tim Mahony*	17,215	-	-	1,635	-	-	18,850
Nigel Heap	47,667	-	-	4,528	-	-	52,195
<i>Executive Directors:</i>							
Lee-Martin Seymour	292,519	-	-	25,889	-	-	318,408
Timothy Griffiths	292,519	-	-	25,889	-	-	318,408
<i>Other Key Management Personnel:</i>							
James Solomons	277,738	-	-	24,485	-	27,562	329,785
Robert Waring	72,100	-	-	-	-	-	72,100
	<u>1,169,603</u>	<u>-</u>	<u>-</u>	<u>82,426</u>	<u>-</u>	<u>76,349</u>	<u>1,328,378</u>

\*Represents remuneration from 1 July 2019 to 22 November 2019.

2019	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service Leave	Equity settled	
	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Brad Rosser	146,574	-	-	-	-	182,054	328,628
Tim Mahony	54,167	-	-	16,625	-	-	70,792
Nigel Heap	59,583	-	-	15,422	-	16,323	91,328
<i>Executive Directors:</i>							
Lee-Martin Seymour	270,000	-	-	23,750	-	-	293,750
Timothy Griffiths	270,000	-	-	23,750	-	-	293,750
<i>Other Key Management Personnel:</i>							
James Solomons	270,000	-	-	23,750	-	92,658	386,408
Robert Waring	75,054	-	-	-	-	1,872	76,926
	<u>1,145,378</u>	<u>-</u>	<u>-</u>	<u>103,297</u>	<u>-</u>	<u>292,907</u>	<u>1,541,582</u>



The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed Remuneration		At risk – STI		At risk - LTI	
	2020	2019	2020	2019	2020	2019
<i>Non-Executive Directors:</i>						
Brad Rosser (Chairman)	100%	100%	-	-	-	-
Timothy Mahony	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Lee-Martin Seymour	100%	100%	-	-	-	-
Timothy Griffiths	100%	100%	-	-	-	-
<i>Other Key Management Personnel:</i>						
James Solomons	100%	100%	-	-	-	-
Robert Waring	100%	100%	-	-	-	-

Cash bonuses are dependent on meeting defined performance measures. The amount of the bonus is determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Group performance and link to remuneration'. The maximum bonus values are established at the start of each financial year and amounts payable are determined in the final month of the financial year by the Remuneration and Nomination Committee.

### Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

<b>Name:</b>	Lee-Martin Seymour
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	1 July 2019
Term of agreement:	No fixed term
Details:	Base salary for the year ending 30 June 2020 of \$285,000pa, plus superannuation, plus \$20,000 car allowance to be reviewed annually by the Remuneration and Nomination Committee. 12 weeks termination notice by either party. Discretionary bonus may be paid as per Remuneration and Nomination Committee approval and KPI achievement. Non-solicitation and non-compete clauses exist.

## Directors' Report

<b>Name:</b>	<b>Timothy Griffiths</b>
Title:	Executive Director and Chief Strategy Officer
Agreement commenced:	1 July 2019
Term of agreement:	No fixed term
Details:	Base salary for the year ending 30 June 2020 of \$285,000pa, plus superannuation, plus \$20,000 car allowance to be reviewed annually by the Remuneration and Nomination Committee. 13 weeks termination notice by either party. Discretionary bonus may be paid as per Remuneration and Nomination Committee approval and KPI achievement. Non-solicitation and non-compete clauses exist.

<b>Name:</b>	<b>James Solomons</b>
Title:	Chief Financial Officer
Agreement commenced:	1 July 2019
Term of agreement:	No fixed term
Details:	Base salary for the year ending 30 June 2020 of \$270,000, plus superannuation, plus \$20,000 car allowance to be reviewed annually by the Remuneration and Nomination Committee. 3 weeks termination notice by either party. Discretionary bonus may be paid as per Remuneration and Nomination Committee approval and KPI achievement along with ability to receive options in Xref Limited. Non-solicitation and non-compete clauses exist.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

### Share-based compensation

#### Options

Options granted carry no dividend or voting rights.

All options were granted over unissued fully paid ordinary shares in the company. The number of options granted was determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Group performance and link to remuneration'. Options vest based on the provision of service over the vesting period whereby the executive becomes beneficially entitled to the option on vesting date. Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

Name	Number of options granted during the year 2020	Number of options granted during the year 2019	Number of options vested during the year 2020	Number of options vested during the year 2019
Nigel Heap	-	-	-	600,000
Brad Rosser	-	-	-	2,500,000
James Solomons	-	-	750,000	750,000
Robert Waring	-	20,714	-	16,312
Tim Mahony*	-	-	-	-

\*Resigned 22 November 2019

There were no options granted to directors or key management personnel during the year ended 30 June 2020.

There were no options held by directors or key management personnel that were exercised or lapsed during the year ended 30 June 2020.

*Performance rights*

There were no performance rights over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2020.

There were no performance rights over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2020.

**Additional disclosures relating to key management personal***Shareholding*

The number of shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

2020	Balance at beginning of year	On exercise of options	Other changes during the year	Balance at end of year
Tim Mahony*	2,550,000	-	(1,000,000)	1,550,000
Nigel Heap	18,000	-	-	18,000
Lee-Martin Seymour	30,857,612	-	243,864	31,101,476
Timothy Griffiths	30,857,613	-	-	30,857,613
James Solomons	9,000	-	-	9,000
Robert Waring	213,885	-	-	213,885
	64,506,110	-	243,864	64,749,974

\*Resigned 22 November 2019

There were no options granted to directors or key management personnel during the year ended 30 June 2020.

There were no options held by directors or key management personnel that were exercised or lapsed during the year ended 30 June 2020.

2020	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of year
<i>Options over ordinary shares</i>					
Brad Rosser	7,000,000	-	-	-	7,000,000
Nigel Heap	900,000	-	-	-	900,000
James Solomons	2,500,000	-	-	-	2,500,000
Robert Waring	37,026	-	-	-	37,026
	10,437,026	-	-	-	10,437,026

Payments for accounting services from Business Depot Sydney Pty Ltd (related entity of James Solomons) of \$158,703 (ex GST) were made.

Payments for company secretarial services from Oakhill Hamilton Pty Ltd (related entity of Robert Waring) of \$72,100 (ex GST) were made.

All transactions were made on normal commercial terms and conditions and at market rates.



## Directors' Report

### *Performance Rights*

Lee-Martin Seymour had A Class Performance Rights converted into 8,333,334 fully paid ordinary shares after the achievement of the performance milestones set out in the conversion events, as approved by shareholders at the 26 November 2015 EGM, and as detailed in the terms and conditions of the Company's B Class Performance Rights released to ASX on 4 December 2017. As at the date of this report there is a balance of 8,333,333 Performance Rights available for Lee-Martin Seymour.

Timothy Griffiths had A Class Performance Rights converted into 8,333,333 fully paid ordinary shares after the achievement of the performance milestones set out in the conversion events, as approved by shareholders at the 26 November 2015 EGM, and as detailed in the terms and conditions of the Company's B Class Performance Rights released to ASX on 4 December 2017. As at the date of this report there is a balance of 8,333,333 Performance Rights available for Timothy Griffiths.

This concludes the remuneration report, which has been audited.

### **Indemnity and insurance of officers**

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

### **Indemnity and insurance of auditor**

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

### **Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

### **Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 9 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 9 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

### Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

### Corporate Governance

The Group's Corporate Governance Statement and Appendix 4G checklist are released to ASX on the same day the Annual Report is released. The Corporate Governance Statement and Corporate Governance Manual can be found on the Company's website at [www.xref.com/investor-centre](http://www.xref.com/investor-centre).

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Lee-Martin Seymour  
Managing Director



Brad Rosser  
Chairman

31 August 2020



**Crowe Sydney**

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31 August 2020

The Board of Directors  
Xref Limited  
14/13 Hickson Street  
Dawes Point  
SYDNEY NSW 2000

Dear Board Members

## Xref Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Xref Limited.

As lead audit partner for the audit of the financial report of Xref Limited for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

A handwritten signature in black ink that reads "Crowe Sydney".

**Crowe Sydney**

A handwritten signature in black ink that reads "AP Pather".

**Ash Pather**

Partner

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Sydney, an affiliate of Findex (Aust) Pty Ltd. Liability limited by a scheme approved under Professional Standards Legislation.

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# Financial Statements

## Statement of profit or loss and other comprehensive income

	Note	2020 \$	2019 \$
<b>Revenue</b>			
Revenue	8	8,028,306	8,048,169
Total revenue		8,028,306	8,048,169
<b>Expenses</b>			
Employee expenses		(12,612,388)	(11,195,253)
Overheads and administrative expenses	9	(5,395,134)	(5,348,287)
Depreciation and amortisation expense	10	(667,655)	(87,993)
Impairment of assets		(1,134)	(1,106)
Total expenses		18,676,311	16,632,639
Operating loss		(10,648,005)	(8,584,470)
Other income	8	591,915	402,644
Loss before income tax		(10,056,090)	(8,181,826)
Income tax expense	12	-	-
<b>Loss after income tax expense for the year attributable to the owners of Xref Limited</b>		(10,056,090)	(8,181,826)
Other comprehensive income			
Items that may reclassified subsequently to profit or loss			
Foreign currency translation		14,858	(136,425)
Other comprehensive income for the year, net of tax		14,858	(136,425)
Total comprehensive income attributable to the owners of Xref Limited		(10,041,232)	(8,318,251)
Earnings per share for loss from continuing operations attributable to the owners of Xref Limited			
Basic earnings per share	28	(5.82)	(5.10)
Diluted earnings per share	28	(5.82)	(5.10)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

## Statement of financial position

	Note	Consolidated	
		2020 \$	2019 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	2,868,794	8,035,939
Trade and other receivables	14	1,374,769	2,258,627
Capitalised commission	15	1,011,918	613,757
Prepayments		566,089	399,955
Total current assets		<u>5,821,570</u>	<u>11,308,278</u>
<b>Non current assets</b>			
Rental bonds		70,254	109,757
Property, plant and equipment	16	314,475	349,610
Right of use assets	17	440,172	-
Intangibles	18	1,825,074	130,678
Total non current assets		<u>2,649,975</u>	<u>590,045</u>
Total assets		<u><u>8,471,545</u></u>	<u><u>11,898,323</u></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	1,620,099	1,813,560
Superannuation payable		171,163	215,375
Contingent consideration	36	30,240	-
Lease liability	21	336,689	-
Employee entitlements	20	533,832	358,092
Unearned revenue	22	7,847,799	6,262,763
Total current liabilities		<u>10,539,822</u>	<u>8,649,790</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of financial position *continued*

	Note	Consolidated	
		2020 \$	2019 \$
<b>Non current liabilities</b>			
Contingent consideration	36	43,800	-
Lease liability	24	138,820	-
Employee entitlements	23	153,166	89,668
Total non current liabilities		<u>335,786</u>	<u>89,668</u>
Total liabilities		<u>10,875,608</u>	<u>8,739,458</u>
<b>Net (liabilities)/assets</b>		<u>(2,404,063)</u>	<u>3,158,865</u>
<b>Equity</b>			
Issued capital	25	53,235,226	48,832,200
Reserves	26	(21,410,328)	(21,539,113)
Accumulated losses		<u>(34,228,961)</u>	<u>(24,134,222)</u>
<b>Total equity</b>		<u>(2,404,063)</u>	<u>3,158,865</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

Consolidated	Note	Issued Capital	Share option reserves	Foreign currency translation reserve	Consolidation reserve	Accumulated losses	Total
		\$	\$	\$	\$	\$	\$
<b>Balance at July 1, 2018</b>		40,087,991	1,330,963	(240,062)	(22,845,821)	(16,388,725)	1,944,346
Adjustment for change in accounting policy		-	-	-	-	398,833	398,833
<b>Balance at July 1, 2018 restated</b>		40,087,991	1,330,963	(240,062)	(22,845,821)	(15,989,892)	2,343,179
Loss after income tax expense for the year		-	-	-	-	(8,181,826)	(8,181,826)
Other comprehensive income for the year		-	-	(136,425)	-	-	(136,425)
Total comprehensive income for the year		-	-	(136,425)	-	(8,181,826)	(8,318,251)
<b>Total transactions with owners in their capacity as owners</b>							
Shares issued during the year		8,000,000	-	-	-	-	8,000,000
Options Exercised		1,267,003	(229,954)	-	-	-	1,037,049
Capital Raising Costs		(522,794)	-	-	-	-	(522,794)
Options Issued		-	619,682	-	-	-	619,682
Options Lapsed		-	(37,496)	-	-	37,496	-
<b>Balance at 30 June 2019</b>		48,832,200	1,683,195	(376,487)	(22,845,821)	(24,134,222)	3,158,865

The above statement of changes in equity should be read in conjunction with the accompanying notes.



Statement of changes in equity *continued*

Consolidated	Note	Issued Capital \$	Share option reserves \$	Foreign currency translation reserve \$	Consolidation reserve \$	Accumulated losses \$	Total \$
<b>Balance at July 1, 2019</b>		48,832,200	1,683,195	(376,487)	(22,845,821)	(24,134,222)	3,158,865
Adjustment for change of accounting policy		-	-	-	-	(55,383)	(55,383)
<b>Balance at July 1, 2019 restated</b>		48,832,200	1,683,195	(376,487)	(22,845,821)	(24,189,605)	3,103,482
Loss after income tax for the year		-	-	-	-	(10,056,090)	(10,056,090)
Other comprehensive income for the year		-	-	14,858	-	-	14,858
Total other comprehensive income for the year		-	-	14,858	-	(10,056,090)	(10,041,232)
<b>Transactions with owners in their capacity as owners</b>							
Shares issued during the year		4,534,000	-	-	-	-	4,534,000
Capital Raising Costs		(130,974)	-	-	-	-	(130,974)
Options Issued		-	130,661	-	-	-	130,661
Options Lapsed		-	(16,734)	-	-	16,734	-
<b>Balance at 30 June 2020</b>		53,235,226	1,797,122	(361,629)	(22,845,821)	(34,228,961)	(2,404,063)

The above statement of changes in equity should be read in conjunction with the accompanying notes.

## Statement of cash flows

	Note	2020 \$	2019 \$
<b>Cash flows from operating activities:</b>			
Receipts from customers and othes		12,108,020	10,431,625
Payments to suppliers, employees and others		(19,791,253)	(17,315,885)
		(7,683,233)	(6,884,260)
Other revenue		205,402	1,724,281
Interest received		94,890	133,522
<b>Cash flows from operating activities</b>	30	(7,382,941)	(5,026,457)
<b>Cash flows from investing activities:</b>			
Payment for purchase of business, net cash acquired		(583,944)	-
Purchase of property, plant and equipment		(64,676)	(119,878)
Purchase of intangible asset		-	(13,831)
<b>Cash flows from investing activities</b>		(648,620)	(133,709)
<b>Cash flows from financing activities:</b>			
Proceeds from issue of shares		3,496,001	8,000,000
Share issue transaction costs		-	(522,794)
Repayment of borrowings (lease liabilities)		(631,585)	-
Proceeds from Options Exercised		-	1,267,003
<b>Cash flows from financing activities</b>		2,864,416	8,744,209
<b>Net decrease in cash and cash equivalents held</b>		(5,167,145)	3,584,043
<b>Cash and cash equivalents at beginning of year</b>		8,035,939	4,451,986
<b>Cash and cash equivalents at end of financial year</b>	13	2,868,794	8,035,939

The above statement of cash flows should be read in conjunction with the accompanying notes

# Notes to the financial statements

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## Note 1. Reporting Entity

Xref Limited is a limited liability company incorporated on 28 January 2003 and as at 21 September 2017 is domiciled in Australia. The address of its registered office is Unit 14, 13 Hickson Road, Dawes Point, New South Wales, Australia 2000. Xref is a human resources technology company that automates the candidate reference process for employers.

## Note 2. Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

### a. Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available for sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

### b. Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

## Note 3. Significant Accounting Policies

### New Amended Accounting Standards and Interpretation adopted

#### *AASB16 Leases*

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

**Note 3. Significant Accounting Policies** *continued*

*Impact of adoption*

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	1-Jul-19 \$
Operating lease commitments as at 1 July 2019 (AASB 117)	1,265,846
Finance lease commitments as at 1 July 2019 (AASB 117)	-
Operating lease commitments discount based on the weighted average incremental borrowing rates	309,997
Short-term leases not recognised as a right-of-use asset (AASB 16)	(173,024)
Low-value assets leases not recognised as a right-of-use asset (AASB 16)	-
Accumulated depreciation as at 1 July 2019 (AASB 16)	(488,152)
Right-of-use assets (AASB 16)	<u>914,667</u>
Lease liabilities - current (AASB 16)	(492,453)
Lease liabilities - non-current (AASB 16)	(475,509)
Tax effect on the above adjustments	<u>(2,090)</u>
Reduction in opening retained profits as at 1 July 2019	<u><u>55,383</u></u>

When adopting AASB 16 from 1 July 2019, the Group has applied the following practical expedients:

- » accounting for leases with a remaining lease term of 12 months as at 1 July 2019 as short-term leases;
- » excluding any initial direct costs from the measurement of right-of-use assets;
- » using hindsight in determining the lease term when the contract contains options to extend or terminate the lease; and
- » not apply AASB 16 to contracts that were not previously identified as containing a lease.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 33.

**a. Basis of consolidation**

The Group financial statements consolidate the financial statements of the Parent and all entities over which the Parent is deemed to have controlling relationship (defined as “subsidiaries”). An entity is defined as a subsidiary when the Group is exposed, or has rights to variable returns from its relationship with the entity and has the ability to affect those returns through its power over the entity.

When the Group has less than a majority of the voting power or similar rights of another entity, the Group considers all relevant facts and circumstances in assessing whether it has power over the other entity.

The Group re assesses whether or not it controls another entity if facts and circumstances indicate that there are changes in one or more of the three elements of control. The financial statements of subsidiaries are included in the preliminary consolidated financial statements from the date that control commences until the date that control ceases.

The consolidation of the Parent and subsidiary entities involves adding together like terms of assets, liabilities, income and expenses on a line by line basis. All significant intra group balances are eliminated on consolidation of Group financial position, performance and cash flows.



### Note 3. Significant Accounting Policies *continued*

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction that is, as transactions with owners in their capacity as owners, recorded in the statement of movements in equity.

If the Group loses control over a subsidiary, it:

- » derecognises the assets (including goodwill) and liabilities of the subsidiary;
- » derecognises the carrying amount of any non controlling interest;
- » derecognises the cumulative carrying amount of foreign currency translation; differences recorded in reserves;
- » recognises the fair value of the consideration received;
- » recognises the fair value of any investment retained;
- » recognises any surplus or deficit in profit or loss; and
- » reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss, or retained earnings as appropriate.
- » Interests in subsidiaries are held at cost less impairment in the Parent.

#### b. Foreign currency translation

The financial statements are presented in Australian dollars, which is Xref Limited's functional and presentation currency.

##### *Foreign currency transactions*

Foreign currency transactions are translated into the functional currency of the Parent, using exchange rates prevailing at the dates of the transactions (i.e. the spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from measurement of monetary items denominated in foreign currency at year end exchange rates are recognised in the reported profit or loss.

Non monetary items measured at historical cost are not re translated at each year end, instead they are only translated once using the exchange rate at the transaction date. Non monetary items measured at fair value are translated using the exchange rates at the date when the year end fair value was determined.

The net balance of foreign exchange gains and losses that relate to monetary items (such as borrowings, cash and cash equivalents) are presented in the Statement of Comprehensive Income within "finance income" or "finance costs". All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within "Other gains/(losses)".

Translation differences on non monetary financial assets and liabilities such as equities held at fair value through profit and loss are recognised in the Statement of Comprehensive Income as part of the fair value gain or loss. Translation differences on nonmonetary financial assets, such as equities classified as available for sale, are included in fair value movements disclosed within other comprehensive income.

##### *Foreign operations*

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than Australian Dollars are translated into Australian Dollars upon consolidation.

The results and financial position of subsidiaries are translated into the presentation currency as follows:

- i. assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- ii. income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- iii. all resulting exchange differences are recognised in other comprehensive income.

### Note 3. Significant Accounting Policies *continued*

The assets and liabilities of foreign operations, including any goodwill, are translated to AUDs at exchange rates at the reporting date. The income and expenses of foreign operations, are translated to AUDs at exchange rates at the dates of the transactions.

Foreign currency differences are recognised on other comprehensive income, and presented in the foreign currency translation reserve within equity.

When a foreign operation is disposed of such that control is lost, the cumulative amount of the translation reserve related to the foreign operation is reclassified to the reported surplus or deficit as part of the gain or loss on disposal.

#### c. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

#### d. Trade debtors and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

#### e. Contract assets - capitalised commission

Contract assets are recognised when the Group has transferred services to the customer but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes. Contract assets include commissions paid and are amortised as performance obligations are met and an unconditional right to consideration is established.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained or which are not otherwise recoverable from a customer are expensed as incurred to profit or loss. Incremental costs of obtaining a contract where the contract term is less than one year is immediately expensed to profit or loss.

#### f. Trade creditors and other payables

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non current liabilities.

Trade creditors and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### g. Unearned revenue

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

#### h. Refund liabilities

A cooling off period of 28 days exists within all contracts. After this period has passed no refunds are provided even if the client does not use their purchased credits. If a client exercises their right to cancel their purchase during this cooling off period they can be refunded an amount equal to the value of credits not used.

### Note 3. Significant Accounting Policies *continued*

#### i. Property, plant and equipment

Items of plant and equipment are measured at cost, less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs and the cost replacing part of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

In most instances, an item of plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the acquisition date.

All repairs and maintenance expenditure is charged to profit or loss in the year in which the expense is incurred.

When an item of plant or equipment is disposed of, the gain or loss recognised in the profit or loss is calculated as the difference between the net sale proceeds and the carrying amount of the asset.

Depreciation is calculated on a straight line basis to write off the net cost of each item of plant and equipment of their expected useful lives as follows:

The depreciation rates used for each class of depreciable asset are shown below:

Office Furniture	10-20 years
Office Equipment	3-20 years
Computer Equipment	3-5 years
Office Fit Out	6-20 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

#### j. Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

### Note 3. Significant Accounting Policies *continued*

#### k. Intangibles

Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Internally developed intangible assets:

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in the reported profit or loss when incurred.

Development activities include a plan or design for the production of new or substantially improved products. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the reported surplus and deficit when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and any impairment losses.

#### Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight line basis over the period of their expected benefit, being their finite life of 10 years.

#### Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

#### l. Impairment of non financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.



### Note 3. Significant Accounting Policies *continued*

#### m. Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

##### *Financial assets at fair value through profit or loss*

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

##### *Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income include equity investments which the Group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

##### *Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

#### n. Provisions

A provision is recognised for a liability when the settlement amount or timing is uncertain; when there is a present legal or constructive obligation as a result of a past event; it is probable that expenditures will be required to settle the obligation; and a reliable estimate of the potential settlement can be made. Provisions are not recognised for future operating losses.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

Provisions are discounted to their present values, where the time value of money is material. The increase in the provision due to the passage of time is recognised as an interest expense.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

### Note 3. Significant Accounting Policies *continued*

#### **o. Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

#### **p. Employee benefits**

##### *Short term employee benefits*

Employee benefits, previously earned from past services, that the Group expect to be settled within 12 months of reporting date are measured based on accrued entitlements at current rate of pays.

These include salaries and wages accrued up to the reporting date and annual leave earned, but not yet taken at the reporting date.

The Group recognises a liability and an expense for bonuses where they are contractually obliged or where there is a past practice that has created a constructive obligation.

##### *Termination benefits*

Termination benefits are recognised as an expense when the Group is committed without realistic possibility of withdrawal, to terminate employment, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

##### *Long term benefits*

The Group's net obligation in respect of long service leave is the amount of future benefit that employees have earned in return for their services in the current and prior years. The obligation is calculated using the projected unit credit method and is discounted to its present value. Any actuarial gains and losses are recognised in profit or loss in the year in which they arise.

##### *Share based payments*

The Group operates an equity settled, share based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non market vesting conditions (for example, profitability). Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the statements of comprehensive income, and a corresponding adjustment to equity over the remaining vesting period. If the options lapse or expire, the accumulated balance will be reclassified to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) when the options are exercised.

**Note 3. Significant Accounting Policies** *continued***q. Revenue***Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability

*Group Sales*

The Group has two main sources of Sales. The sale of candidate referencing credits through Xref and the sale of ID verification checks through RapidID.

For Xref sales, when customers use a credit the service has been performed. Revenue is recognised at the point in time when the customer uses the service.

For RapidID sales, when customers take an ID Check the service has been performed. Revenue is recognised at the point in time when the customer uses the service.

*Rendering of services*

Revenue from a contract to provide services is recognised over time as the services are rendered based on agreed rates.

*Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

**r. Income Tax***Current income taxes*

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustment to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

*Deferred tax*

Deferred tax is the amount of income tax payable or recoverable in future years in respect of temporary differences and unused tax losses (if any). Temporary differences are differences between the carrying amount of asset and liabilities in the financial statements and the corresponding tax bases used in the consumption of taxable surpluses.

## Notes to the Financial Statements

### Note 3. Significant Accounting Policies *continued*

Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability, unless the related transaction is a business combination or affects the tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available in future years, against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of income tax in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

#### s. Goods and services tax (GST)

All amounts in these financial statements are shown exclusive of GST, except for receivables and payables that are stated inclusive of GST.

The net amount of GST recoverable from, or payable to the Australian Taxation Office (ATO), or tax offices in other jurisdictions is included as part of receivables and / or payables in the Statement of Financial Position. GST balances from different countries are not offset.

#### t. Share capital

Share capital represents the consideration received for shares that have been issued. All transaction costs associated with the issuing of shares are recognised as a reduction in equity, net of any related income tax benefits.

#### u. Dividend distribution

Dividend distributions to the parent's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Parent Directors.

#### v. Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shareholders outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

#### w. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is ultimately responsible for strategic decision, approving the allocation of resources and assessing the performance of the operating segments, has been identified as the Board of Directors.



### Note 3. Significant Accounting Policies *continued*

#### x. Going Concern

The financial report shows that a loss of \$10,056,090 (2019: 8,181,826) has been incurred, there is also a deficiency of net current assets of \$4,718,252 (2019: 2,658,488 a positive current asset position) and a deficiency of net assets of \$2,404,063 (2019 : 3,158,865 a positive net asset position). The financial report has been prepared on the going concern basis which assumes that the company will be able to meet its commitments, realise its assets, and discharge its liabilities in the ordinary course of business.

This basis has been adopted by the directors of the company as they have;

- Prepared a cashflow forecast for the period to September 2021 which indicates that they will be able to meet their obligations. The forecast includes what the Directors believe to be the impact of COVID-19 on the business.
- Additional net funding of \$4,825,000 has been received in July 2020, refer to note 35 for further details. The directors are confident that the covenants will be met.
- Post year end and up to 21 August 2020, the unaudited management accounts show that the business results are consistent with the forecast. The directors therefore remain confident that the achievement of their forecast will continue to 30 September 2021.

Given the Directors expectations, the financial statements have been prepared on the going concern basis which contemplates that the business will continue as normal and therefore realise its assets and extinguish its liabilities in the normal course of business.

#### y. Business combination

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non controlling interest in the acquiree. For each business combination, the non controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition date fair value of assets acquired, liabilities assumed and any non controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

### Note 4. New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2020.

### Note 5. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

#### *Coronavirus (COVID-19) pandemic*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

#### *Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 14, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

#### *Goodwill and other indefinite life intangible assets*

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 3. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to note 18 for further information.

#### *Lease term*

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

#### *Incremental borrowing rate*

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

## Note 5. Critical accounting judgements, estimates and assumptions *continued*

### *Employee benefits provision*

As discussed in note 3, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

### *Share-based payment transactions*

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity settled share based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

### *Impairment*

An impairment loss is recognised for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances.

### *Determination of variable consideration*

Judgement is exercised in estimating variable consideration which is determined having regard to past experience with respect to refund where the customer maintains a right of refund pursuant to the customer contract or where goods or services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

### *Internally generated software and research costs*

Management monitors progress of internal research and development projects by using a project management system. Significant judgement is required in distinguishing research from the development phase.

To distinguish any research type project phase from the development phase, it is the Group's accounting policy to require a detailed forecast of sales or cost savings expected to be generated by the intangible asset. The forecast is incorporated into the Group's overall budget forecast as the capitalisation of development costs commences. This ensures that managerial accounting, impairment testing procedures and accounting for internally generated intangible assets are based on the same data.

Management has determined that for the 2020 financial year that no expenditure be capitalised as an asset. The basis for this decision is that over the past 6 years there has been significant development of the platform and that the current platform is completely different to that which previously existed. The system that currently exists is not a standalone asset and is constantly evolving. Additionally, the codebase and infrastructure regularly changes to keep up with technological advances.

### *Deferred tax assets*

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non taxable income and expenses and specific limits to the use of any unused tax losses or credits. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full.

### *Research and Development Refundable Tax Offset*

There were no costs identified in the group in 2020 that were attributable to research and development costs.

## Note 6. Group Information

The preliminary consolidated financial statements of the Group include

Name	Principal place of business/ Country of incorporation	2020 %	2019 %
Xref Limited	Australia	100.00%	100.00%
Xref (AU) Pty Limited	Australia	100.00%	100.00%
Xref (UK) Limited	United Kingdom	100.00%	100.00%
Xref Referencing (CA) Limited	Canada	100.00%	100.00%
Xref AS*	Norway	100.00%	100.00%
Xref LLC	United States	100.00%	100.00%
Xref (NZ) Limited	New Zealand	100.00%	100.00%
Rapid ID Pty Ltd	Australia	100.00%	-

\*During the last quarter of the financial year it was determined by the directors to close the Norway office and transfer management of existing accounts and sales operations to the EMEA head office based in London. The subsidiary that operated out of Oslo Norway, Xref AS is currently being wound up in accordance with Norwegian Corporations Law. There has been no major impact on the operations in Norway with sales continuing to be made to Norwegian businesses out of Xref UK.

## Note 7. Operating Segments

There are two operating segments (candidate referencing and ID verification) for the year ended 30 June 2020. The disclosures on the face of the statement of comprehensive income to operating loss and the statement of financial position (excluding the items designated for sale) represent the Group's two business segments.

### Geographical Information

	2020 \$	2019 \$
Sales to external customers – candidate referencing		
Australia	6,770,895	8,148,721
Canada	548,509	956,787
United Kingdom	407,665	530,713
Norway	281,201	375,708
New Zealand	1,020,215	-
United States	299,153	-
	<u>9,327,638</u>	<u>10,011,929</u>

**Note 7. Operating Segments** *continued*

	2020 \$	2019 \$
Revenue from external customers – candidate referencing		
Australia	6,155,195	6,754,930
Canada	509,032	772,576
United Kingdom	342,772	375,108
Norway	160,594	145,555
New Zealand	452,158	-
United States	161,446	-
	<u>7,781,197</u>	<u>8,048,169</u>

	2020 \$	2019 \$
Sales to external customers – identification verification		
Australia	<u>487,075</u>	-
	<u>487,075</u>	-

	2020 \$	2019 \$
Revenue from external customers – identification verification		
Australia	<u>247,109</u>	-
	<u>247,109</u>	-

	2020 \$	2019 \$
Non current operating assets		
Global	1,440,976	106,990
Australia	929,863	330,751
Canada	269,683	104,060
United Kingdom	8,817	30,047
Norway	-	2,475
New Zealand	636	15,722
Total Non current operating assets	<u>2,649,975</u>	<u>590,045</u>

The information above is based on the location of the customers



## Note 8. Revenue and Other Income

	2020 \$	2019 \$
Revenue from contracts with customers		
The disaggregation of revenue from contracts with customers is as follows:		
Sales Xref	9,327,638	10,011,929
Less adjustment for unearned revenue	<u>(1,546,441)</u>	<u>(1,963,760)</u>
	<u>7,781,197</u>	<u>8,048,169</u>
Sales Rapid ID	487,075	-
Less cost of sales – Rapid ID	<u>(239,966)</u>	<u>-</u>
	<u>247,109</u>	<u>8,048,169</u>
<b>Total revenue</b>	<u><u>8,028,306</u></u>	<u><u>8,048,169</u></u>
Other income		
Interest Income	45,154	183,258
Government subsidies	527,422	-
Research & Development Tax Offset	-	205,402
Other Income	19,339	13,984
<b>Total revenue and other income</b>	<u><u>8,620,221</u></u>	<u><u>8,450,813</u></u>
	2020 \$	2019 \$
Revenue from external customers		
Service performed at a point in time	7,553,095	7,913,524
Services transferred over time	<u>475,211</u>	<u>134,645</u>
	<u>8,028,306</u>	<u>8,048,169</u>

**Note 9. Overheads and administrative expenses**

	2020 \$	2019 \$
Accounting and consulting fees	320,160	195,741
Auditing or reviewing the financial report	90,797	85,578
Directors Fees	12,675	145,047
Legal expenses	122,652	192,543
Marketing fees	862,200	1,572,628
Consulting and professional fees	440,765	461,320
Share based payment	130,662	619,682
Administration expense	3,014,063	1,358,171
Foreign exchange loss	89,692	(42,129)
Operating lease payments	311,468	759,706
Administrative expenses	<u>5,395,134</u>	<u>5,348,287</u>
<b>Auditors remuneration</b>		
Fees charged by Audit Firm:		
Financial statement audit and review	<u>90,797</u>	<u>85,578</u>

**Note 10. Depreciation, amortisation and impairment expenses**

	2020 \$	2019 \$
Depreciation, amortisation and impairment expenses		
Depreciation of property, plant and equipment	99,811	87,933
Depreciation right of use asset	<u>567,844</u>	<u>-</u>
	<u>667,655</u>	<u>87,933</u>

**Note 11. Research and development costs**

	2020 \$	2019 \$
Research and development costs expensed	<u>-</u>	<u>472,189</u>

The Group research and development projects have focused on cloud based solutions for candidate recruitment. Note 5 reflects the Groups policy on the expensing/capitalisation of development costs. Research and development costs expensed amount to \$0 (2019:\$472,189). \$0 (2019: \$304,235) are recognised in employee expenses.

During the 2020 financial year significant development work was undertaken on the Xref & RapidID platforms. New features, improvements to the existing features as well as continual updates to ensure the platform remained accessible 24/7 to its users around the world. To qualify for the government R&D Offsets, development work undertaken must meet a stringent set of criteria. Ongoing development work with respect to features and the platform generally does not automatically qualify for inclusion in the R&D Offset scheme. For 2020, despite the development work carried out as well as the release of two new products also, the development work did not qualify.

## Notes to the Financial Statements

### Note 12. Income Tax Expense

Xref Limited has operating subsidiaries in Australia, the UK, Norway, New Zealand, USA and Canada which are expected to accumulate tax losses prior to returning a profit.

#### a. Reconciliation of effective tax rate:

	2020 \$	2019 \$
Loss before income tax expense	(10,056,090)	(8,181,826)
Tax at the statutory rate of	27.50%	27.50%
	<u>(2,765,425)</u>	<u>(2,250,002)</u>
Tax effect of:		
Deferred tax asset not recognised	(2,617,925)	(1,999,462)
Permanent differences	(24,309)	(86,361)
Adjustment for foreign tax rates	<u>(123,191)</u>	<u>(164,179)</u>
	<u>(2,765,425)</u>	<u>(2,250,002)</u>

#### b. Deferred tax assets and liabilities

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non taxable income and expenses and specific limits to the use of any unused tax losses or credits. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full.

The company has not yet raised a deferred tax entry as the company is not certain whether the tax losses carried forward can be utilised in the foreseeable future. The deferred tax asset position of the Group, which has not been brought to account is \$7,527,590 (2019: \$5,173,286).

### Note 13. Current assets – cash and cash equivalents

	2020 \$	2019 \$
Cash at bank and in hand	2,793,337	7,960,482
Rental Bonds	75,457	75,457
	<u>2,868,794</u>	<u>8,035,939</u>

The carrying amount of cash and cash equivalents approximates their fair value.

Cash at bank earns interest at floating rates on a daily deposit balances.

**Note 14. Current assets – Trade and Other Receivables**

	2020 \$	2019 \$
Trade receivables	1,196,209	1,899,415
Less: allowance for expected credit losses	-	-
	<u>1,196,209</u>	<u>1,899,415</u>
Research and development incentive grant	-	205,402
Other receivables	178,560	104,074
Interest receivable	-	49,736
	<u>178,560</u>	<u>359,212</u>
<b>Total current trade and other receivables</b>	<u><u>1,374,769</u></u>	<u><u>2,258,627</u></u>

Movements in the allowance for expected credit losses are as follows:

Opening balance	-	(165,000)
Additional provisions recognised	-	-
Receivables written off during the year as uncollectable	-	165,000
<b>Balance at end of the year</b>	<u>-</u>	<u>-</u>

Trade debtors and other receivables are non interest bearing and receipt is normally on 30 days terms. Therefore, the carrying value of trade debtors and other receivables approximates its fair value.

All receivables are subject to credit risk exposure.

The maximum exposure to credit risk at the reporting date is the carrying amount of trade debtors and other receivables as disclosed above. The Group does not hold any collateral as security

The Group's management considers that all financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. None of the Group's financial assets are secured by collateral or other credit enhancements.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

As at 30 June 2020, the ageing analysis of trade receivables post due but not impaired is detailed as follows:

	2020 \$	2019 \$
0-30 days overdue	1,131,724	1,876,873
30-90 days overdue	64,485	22,542
90 days+ overdue	-	-
	<u>1,196,209</u>	<u>1,899,415</u>

**Note 15. Current assets – Capitalised Commission**

	2020 \$	2019 \$
Capitalised Commission at cost Credit Sales	990,155	604,256
Capitalised Commission at cost Subscriptions	21,723	9,180
Capitalised Commission at cost People Search	40	321
	<u>1,011,918</u>	<u>613,757</u>

*Reconciliations*

Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:

**Opening Balance**

Retrospective adjustment as at 1 July 2018	-	398,833
Opening Balance	613,757	-
Additions	1,215,852	1,010,836
Recognition as expenses	(770,926)	(807,601)
Balance adjustment due to forex	(46,765)	11,689
<b>Closing balance</b>	<u>1,011,918</u>	<u>613,757</u>

**Note 16. Non current assets – property, plant and equipment**

	2020 \$	2019 \$
Office furniture at cost	96,387	85,635
Less: Accumulated depreciation	<u>(24,651)</u>	<u>(16,633)</u>
	71,736	69,002
Office equipment at cost	143,771	131,865
Less: Accumulated Depreciation	<u>(93,525)</u>	<u>(69,408)</u>
	50,246	62,457
Computer Equipment at cost	317,660	266,989
Less: Accumulated depreciation	<u>(189,541)</u>	<u>(124,564)</u>
	128,119	142,425
Office Fitout	102,749	101,122
Less: Accumulated depreciation	<u>(38,375)</u>	<u>(25,396)</u>
	64,374	75,726
<b>Total property, plant and equipment</b>	<u>314,475</u>	<u>349,610</u>



**Note 16. Non current assets – property, plant and equipment** *continued**Reconciliations*

Reconciliations of the carrying value at the beginning and end of the current and previous financial year are set out below:

	Office Furniture \$	Office Fitout \$	Office Equipment \$	Computer Equipment \$	Total \$
<b>Year ended 30 June 2018</b>	63,354	86,726	65,272	106,753	322,105
Additions	12,720	4,338	15,778	87,042	119,878
Disposals	-	-	-	(3,081)	(3,081)
Depreciation	(7,072)	(15,338)	(18,593)	(48,289)	(89,292)
<b>Balance at 30 June 2019</b>	69,002	75,726	62,457	142,425	349,610
Additions	10,752	1,627	5,809	46,488	64,676
Disposals	-	-	-	-	-
Depreciation	(8,018)	(12,979)	(18,020)	(60,794)	(99,811)
<b>Balance at 30 June 2020</b>	71,736	64,374	50,246	128,119	314,475

**Note 17. Non current assets – right of use assets**

	2020 \$	2019 \$
Right of use assets Land and Buildings	1,496,169	-
Less: Accumulated depreciation	(1,055,997)	-
<b>Total</b>	440,172	-

Additions to the right-of-use assets during the year were \$0

The Group leases land and buildings for its offices under agreements which have terms remaining of no longer than 2.5 years as at 30 June 2020. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

## Note 18. Non current assets – intangibles

	2020 \$	2019 \$
Goodwill at cost	1,333,986	-
Website	325,000	-
Patents, trademarks and other rights		
Cost	61,337	11,337
Accumulated amortisation and impairment	(2,239)	(1,106)
	<u>59,098</u>	<u>10,231</u>
Preliminary expenses		
Cost	-	13,457
Domain: Xref.com	106,990	106,990
	<u>1,825,074</u>	<u>130,678</u>

## Reconciliations

Reconciliations of the carrying value at the beginning and end of the current and previous financial year are set out below:

Consolidated	Patents, trademarks and other rights \$	Licenses and franchises \$	Domain: Xref.com \$	Website Development \$	Goodwill \$	Preliminary expenses \$	Total \$
Balance at 1 July 2018	10,963	-	106,990	-	-	-	117,953
Additions	374	-	-	-	-	13,457	13,831
Impairment expense	(1,106)	-	-	-	-	-	(1,106)
Balance at 30 June 2019	10,231	-	106,990	-	-	13,457	130,678
Additions through business combination	-	50,000	-	325,000	1,333,986	-	1,708,986
Impairment expense	(1,134)	-	-	-	-	(13,457)	(14,590)
Balance at 30 June 2020	<u>9,097</u>	<u>50,000</u>	<u>106,990</u>	<u>325,000</u>	<u>1,333,986</u>	<u>-</u>	<u>1,825,074</u>

**Note 18. Non current assets – intangibles** *continued**Impairment testing*

Goodwill acquired through business combination has been allocated to the following cash-generating units:

	Consolidated	
	2020	2019
	\$	\$
RapidID	1,333,986	-
	1,333,986	-

The recoverable amount of the consolidated entity's goodwill has been determined as the higher of the asset's value in use and its fair value less cost of disposal using a discounted cash flow model, based on a 5 year projection period approved by management and the board, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for the computer retailing division:

- 16.75% pre-tax discount rate;
- 49% per annum average projected revenue growth rate;
- 2% per annum average improvement in gross margin;
- 16% per annum average increase in operating costs and overheads;
- 2.5% terminal value growth rate.

The discount rate of 16.75% pre-tax reflects management's estimate of the time value of money and the Group's weighted average cost of capital adjusted for RapidID, the risk free rate and the volatility of the share price relative to market movements.

Management have estimated a 49% growth in accordance with the acquisition strategy and have no reason to revise this estimation based on current performance.

Synergies achieved following the acquisition of RapidID combined with cost efficient customer acquisition strategies has result in the operational costs budgeted initially being lower than forecast

There were no other key assumptions for RapidID.

Based on the above, the recoverable amount of RapidID exceeded the carrying amount by \$342,000.

*Sensitivity*

As disclosed in note 5, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

- Sales would need to decrease by more than 6.1% over the forecast period for RapidID before goodwill would need to be impaired, with all other assumptions remaining constant.
- The discount rate would be required to increase by 1.37% for RapidID before goodwill would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of RapidID's goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

**Note 19. Current liabilities – trade and other payables**

	2020 \$	2019 \$
Trade payables	384,362	450,452
GST payable	211,715	240,551
Accrued salaries, wages and related costs	142,182	876,029
Non Trade payables and accrued expenses	<u>881,840</u>	<u>246,528</u>
	<u>1,620,099</u>	<u>1,813,560</u>

Refer to note 28 for further information on financial instruments.

Trade creditors and other payables are non interest bearing and normally settled on 30 day terms; therefore, their carrying amount approximates their fair value.

**Note 20. Current liabilities – employee entitlements**

	2020 \$	2019 \$
Annual leave	<u>533,832</u>	<u>358,092</u>

Short-term employee entitlements represent the Group's obligation to its current and former employees that are expected to be settled within 12 months of balance date. These consist of accrued holiday entitlements at the reporting date.

**Note 21. Current liabilities – lease liability**

	2020 \$	2019 \$
Current lease liability	<u>336,689</u>	<u>-</u>

**Note 22. Current liabilities – Unearned Revenue**

	2020 \$	2019 \$
Unearned Revenue		
Balance brought forward	6,262,763	4,268,871
<b>Unearned revenue movement</b>		
Credits sold	9,327,638	10,011,929
Add: Opening conditional credits	1,881,476	1,445,795
Less: Usage	(8,651,412)	(7,612,488)
Less: Closing conditional credits	(1,011,261)	(1,881,476)
	<u>1,546,441</u>	<u>1,963,760</u>
Opening balance revaluation due to forex	38,595	30,132
<b>Total</b>	<u><u>7,847,799</u></u>	<u><u>6,262,763</u></u>

*Unsatisfied performance obligations*

The performance obligations associated with the unearned revenue balance are expected to be satisfied within 12 months from the date of the balance sheet

Under Xref's business model, clients purchase Xref credits to use our candidate referencing platform. The value of credits sold are added to unearned revenue when the client has paid. The credits are consumed when reference checks are ordered, and credit usage becomes recognised revenue. At balance date some clients will have purchased credits and have been issued an invoice but will not have paid. The value of these unpaid credit sale invoices are the 'conditional credits' above and represents trade debtors (less goods & services tax). In addition, clients that have subscribed to People Search or an Xref Subscription pay for 12 months in advance and each month a proportion of the upfront payment is recognised as revenue.

**Note 23 Non current liabilities – Employee entitlements**

	2020 \$	2019 \$
Long service leave	<u>153,166</u>	<u>88,668</u>

**Note 24. Non-current liabilities – lease liability**

	2020 \$	2019 \$
Non current lease liability	<u>138,820</u>	<u>-</u>



## Note 25. Equity – issued capital

	2020 Shares	2019 Shares	2020 \$	2019 \$
Ordinary shares - fully paid	178,055,751	165,578,370	53,235,226	48,832,200

	Date	Shares	Issue price/ exercise price \$	Total \$
Balance	1 July 2018	147,736,127		40,087,991
Issued for cash		13,333,334	0.60	8,000,000
Capital Raising Costs		-	-	(522,793)
Option conversion		4,508,909	0.23	1,267,003
	30 June 2019	165,578,370		48,832,200
Issued for acquisition of Rapid ID		1,583,442	0.57	900,000
Issued under share based remuneration		300,000	0.46	138,000
Issued for cash		10,593,939	0.33	3,496,000
Capital raising costs		-	-	(130,974)
	30 June 2020	178,055,751	-	53,235,226

Xref issued 1,583,442 fully paid ordinary shares at \$0.568 per share, to the two vendors of Rapid ID Pty Ltd (RapidID) in consideration for the payment of the purchase of Rapid ID and its related technology. The Company issued 300,000 shares to RapidID's Queensland-based founder, Ashley Hoey, who has joined Xref along with his project development team of two staff members.

Xref issued 10,593,939 shares at \$0.33 per share to institutions and professional investors on 16 December 2019 with the aim of growth and marketing capability, technology development and working capital requirements, and other general corporate purposes.

All issued shares are fully paid and do not have a par value. The holders of ordinary shares have equal voting rights and share equally in any dividend distribution and any surplus on winding up of the Parent.

*Capital risk management*

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is not subject to certain financing arrangements covenants during the financial year ended 30 June 2020. The capital risk management policy remains unchanged from the 30 June 2019 Annual Report.

**Note 26. Equity – other equity reserves**

	2020 \$	2019 \$
Foreign currency reserve	(361,629)	(376,487)
Options reserve	1,797,122	1,683,195
Consolidation reserve	<u>(22,845,821)</u>	<u>(22,845,821)</u>
	<u>(21,410,328)</u>	<u>(21,539,113)</u>

*Foreign currency reserve*

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

*Performance Rights Reserve*

The performance right reserve is used to record unutilised performance rights issued on 18 January 2016 as part of the consideration for Xref Pty Ltd. Performance Rights operate as an equity settled, share based compensation plan. When rights are realised, the balance less any attributable transaction costs will be transferred to issued capital. If rights are not used, they would be offset against the consolidation reserve.

Performance Rights Reserve Balance	Number Granted	Performance Right Reserve \$	Weighted Average Fair Value \$/Right
Class C	16,666,666	-	-

During any six month reporting period of the company that ends on or prior to 30 months after the date of issue of the rights, achieving Credit Sales of \$A2,500,000 or more.

The Class A Conversion Event was achieved and the Class A shares were issued 4 December 2017.

*Class B Conversion Event*

Upon the Company achieving a 20 day Volume Weighted Average Market Price of the shares equal to or greater than \$0.50 within two years after the date of issue of the rights and a minimum sale in the UK of either 1000 credits or £25,000 (whichever comes first).

The Class B Conversion Event was achieved and the Class B shares were issued 10 March 2017.

*Class C Conversion Event*

During any six month reporting period of the Company that ends on or prior to five years after the date of issue of the rights, achieving EBITDA of \$A2,500,000 or more.

The conversion ratio of the Performance Rights into ordinary shares upon achievement of a relevant Performance Milestone is one ordinary share for each Performance Right. They were in escrow until 8 February 2018.

Class C options were considered based on likelihood of reaching the target EBITDA and a Nil valuation adopted. All rights may be converted immediately in the event of a change of control event.

**Note 26. Equity – other equity reserves** *continued**a. Share option reserve*

	Issued Date	Expiry Date	Average exercise price in \$A per share	Options	Option Reserve \$A
At 30 June 2017 (b)	07/12/2016	25/11/2022	0.700	2,500,000	308,214
At 30 June 2017 (a)	07/12/2016	25/11/2021	0.700	5,400,000	646,920
Granted (c)	22/09/2017	03/07/2021	0.585	811,480	180,879
Granted (d)	22/09/2017	03/07/2021	0.580	95,390	21,444
Granted (e)	22/03/2018	05/02/2022	0.660	208,116	21,810
Granted (f)	22/03/2018	12/02/2021	0.700	1,000,000	69,670
Granted (g)	22/03/2018	12/02/2022	0.700	750,000	69,635
Granted (h)	22/03/2018	12/02/2023	0.700	750,000	56,460
Granted (i)	04/12/2018	03/09/2021	0.700	300,000	20,730
Granted (j)	04/12/2018	03/09/2022	0.700	300,000	21,806
Granted (k)	04/12/2018	03/09/2023	0.660	300,000	11,904
Granted (l)	04/12/2018	01/08/2022	0.660	315,664	27,275
Granted (m)	04/12/2018	29/11/2022	0.700	2,500,000	226,448
Closing balance		30/06/2019		15,230,650	1,683,195
At 30 June 2017 (b)	07/12/2016	25/11/2022	0.700	2,500,000	357,000
At 30 June 2017 (a)	07/12/2016	25/11/2021	0.700	5,400,000	646,920
Granted (c)	22/09/2017	03/07/2021	0.585	746,025	166,289
Granted (d)	22/09/2017	03/07/2021	0.580	95,390	21,444
Granted (e)	22/03/2018	05/02/2022	0.660	187,661	19,667
Granted (f)	22/03/2018	12/02/2021	0.700	1,000,000	69,670
Granted (g)	22/03/2018	12/02/2022	0.700	750,000	69,635
Granted (h)	22/03/2018	12/02/2023	0.700	750,000	84,022
Granted (i)	04/12/2018	03/09/2021	0.700	300,000	20,730
Granted (j)	04/12/2018	03/09/2022	0.700	300,000	28,620
Granted (k)	04/12/2018	03/09/2023	0.660	300,000	32,850
Granted (l)	04/12/2018	01/08/2022	0.660	315,664	27,275
Granted (m)	04/12/2018	29/11/2022	0.700	2,500,000	253,000
Closing balance		30/06/2020		15,144,740	1,797,122

**Note 26. Equity – other equity reserves** *continued*

The options have been valued using a binominal options method, using the following assumptions:

a)	Listing date (re-listing as Xref Limited)	09-02-16
	Price history for volatility determination	2.47yr
	Grant date	26-11-16
	Measurement date	26-11-16
	Exercise price	\$0.70
	Expiry date	25-11-21
	Life of option	5.00 yr
	Price of underlying shares at measurement date	\$0.47
	Risk free rate = 5 year Government Bond (26/11/2016)	2.19%
	Expected volatility	40%
	Dividends expected on the shares	Nil
b)	Listing date (re-listing as Xref Limited)	09-02-16
	Price history for volatility determination	5.00yr
	Grant date	25-11-16
	Measurement date	25-11-16
	Exercise price	\$0.70
	Expiry date	25-11-22
	Life of option	6.00 yr
	Price of underlying shares at measurement date	\$0.47
	Risk free rate = 5 year Government Bond (26/11/2016)	2.70%
	Expected volatility	40%
	Dividends expected on the shares	Nil
c)	Listing date (re-listing as Xref Limited)	09-02-16
	Price history for volatility determination	1.63 yr
	Grant date	22-09-17
	Measurement date	22-09-17
	Exercise price	\$0.59
	Expiry date	03-07-21
	Life of option	3.77 yr
	Price of underlying shares at measurement date	\$0.75
	Risk free rate = 5 year Government Bond (26/11/2016)	2.30%
	Expected volatility	40%
	Dividends expected on the shares	Nil

## Notes to the Financial Statements

### Note 26. Equity – other equity reserves *continued*

d)	Listing date (re-listing as Xref Limited)	09-02-16
	Price history for volatility determination	1.63 yr
	Grant date	22-09-17
	Measurement date	02-09-17
	Exercise price	\$0.58
	Expiry date	03-07-21
	Life of option	3.77 yr
	Price of underlying shares at measurement date	\$0.75
	Risk free rate = 5 year Government Bond (26/11/2016)	2.30%
	Expected volatility	40%
	Dividends expected on the shares	Nil
e)	Listing date (re-listing as Xref Limited)	09-02-16
	Price history for volatility determination	2.11 yr
	Grant date	22-03-18
	Measurement date	22-03-18
	Exercise price	\$0.66
	Expiry date	05-02-22
	Life of option	3.88 yr
	Price of underlying shares at measurement date	\$0.57
	Risk free rate = 5 year Government Bond (26/11/2016)	2.40%
	Expected volatility	26.37%
	Dividends expected on the shares	Nil
f)	Listing date (re-listing as Xref Limited)	09-02-16
	Price history for volatility determination	2.11 yr
	Grant date	22-03-18
	Measurement date	22-03-18
	Exercise price	\$0.70
	Expiry date	01-02-21
	Life of option	2.87 yr
	Price of underlying shares at measurement date	\$0.57
	Risk free rate = 5 year Government Bond (26/11/2016)	2.16%
	Expected volatility	26.30%
	Dividends expected on the shares	Nil



**Note 26. Equity – other equity reserves** *continued*

g)	Listing date (re-listing as Xref Limited)	09-02-16
	Price history for volatility determination	2.11 yr
	Grant date	22-03-18
	Measurement date	22-03-18
	Exercise price	\$0.70
	Expiry date	12-02-22
	Life of option	2.87 yr
	Price of underlying shares at measurement date	\$0.70
	Risk free rate = 5 year Government Bond (26/11/2016)	2.40%
	Expected volatility	26.34%
	Dividends expected on the shares	Nil
h)	Listing date (re-listing as Xref Limited)	09-02-16
	Price history for volatility determination	2.11 yr
	Grant date	22-03-18
	Measurement date	22-03-18
	Exercise price	\$0.70
	Expiry date	12-02-23
	Life of option	4.90 yr
	Price of underlying shares at measurement date	\$0.57
	Risk free rate = 5 year Government Bond (26/11/2016)	2.40%
	Expected volatility	26.35%
	Dividends expected on the shares	Nil
i)	Listing date (re-listing as Xref Limited)	09-02-16
	Price history for volatility determination	2.82yr
	Grant date	04-12-18
	Measurement date	04-12-18
	Exercise price	\$0.70
	Expiry date	03-09-21
	Life of option	2.75 yr
	Price of underlying shares at measurement date	\$0.48
	Risk free rate = 3 year Government Bond (04/12/2018)	1.99
	Expected volatility	38.63%
	Dividends expected on the shares	Nil

## Notes to the Financial Statements

### Note 26. Equity – other equity reserves *continued*

j)	Listing date (re-listing as Xref Limited)	09-02-16
	Price history for volatility determination	2.82yr
	Grant date	04-12-18
	Measurement date	04-12-18
	Exercise price	\$0.70
	Expiry date	03-09-22
	Life of option	3.75 yr
	Price of underlying shares at measurement date	\$0.48
	Risk free rate = 5 year Government Bond (04/12/2018)	2.17%
	Expected volatility	39.19%
	Dividends expected on the shares	Nil
k)	Listing date (re-listing as Xref Limited)	09-02-16
	Price history for volatility determination	2.82 yr
	Grant date	04-12-18
	Measurement date	04-12-18
	Exercise price	\$0.70
	Expiry date	03-09-23
	Life of option	4.75yr
	Price of underlying shares at measurement date	\$0.48
	Risk free rate = 5 year Government Bond (04/12/2018)	2.17%
	Expected volatility	40.42%
	Dividends expected on the shares	Nil
l)	Listing date (re-listing as Xref Limited)	09-02-16
	Price history for volatility determination	2.82 yr
	Grant date	04-12-18
	Measurement date	04-12-18
	Exercise price	\$0.66
	Expiry date	01-08-22
	Life of option	3.66 yr
	Price of underlying shares at measurement date	\$0.48
	Risk free rate = 5 year Government Bond (04/12/2018)	2.17%
	Expected volatility	39.23%
	Dividends expected on the shares	Nil

**Note 26. Equity – other equity reserves** *continued*

m) Listing date (re-listing as Xref Limited)	09-02-16
Price history for volatility determination	2.82 yr
Grant date	04-12-18
Measurement date	04-12-18
Exercise price	\$0.70
Expiry date	29-11-22
Life of option	3.99 yr
Price of underlying shares at measurement date	\$0.48
Risk free rate = 5 year Government Bond (04/12/2018)	2.17%
Expected volatility	39.90%
Dividends expected on the shares	Nil

*Class A Vesting Event*

Upon the Group, during any six month reporting period of the company that ends on or prior to 30 months after the date of issue of the rights, achieving Credit Sales of \$A2,500,000 or more.

Class B Vesting Event is the same as a Performance Right Class B Conversion Event Upon the Company achieving a 20 day Volume Weighted Average Market Price of the shares equal to or greater than \$0.50 within two years after the date of issue of the rights and a minimum sale in the UK of either 1000 credits or £25,000 (whichever comes first). The Class B Conversion Event was achieved and the Class B shares were issued 10 March 2017.

Class A and B option expense is being recognised over the two years during which the options may be exercised. If the options were to be exercised, the full remaining option expense if any would be immediately recognised and the Option Reserve figure transferred to Issued Capital.

The weighted average contractual life of the performance rights for the 2020 year was 0.55 years (2019: 1.55 years)

*Option movements for the period*

No options were issued during the 2020 financial year. The number of options lapsed during the 2020 financial year were 85,910 due to staff departures.

*Option movements during the previous year*

During the year ended 30 June 2019, 190,295 options lapsed and 4,508,909 options were exercised. As approved at the 28 November 2018 AGM, 2,500,00 options were issued to 5 senior staff members of the company as a key component of their remuneration by the company. The Chief Operating Officer (COO) was issued with 900,000 with 300,000 vesting on date of issue and expiring on the 3 September 2021, the second tranche of 300,000 options vesting on 3 September 2019 and expire if not exercised by 3 September 2022, and the third tranche of 300,000 options vesting on 3 September 2020 and expire if not exercised by 3 September 2023).

**Note 26. Equity – other equity reserves** *continued*

Options vested and therefore exercisable	Expiry Date	2020	2019
Options Vested Nigel Heap	25/11/2021	900,000	900,000
Options Vested Brad Rosser	25/11/2021	7,000,000	4,500,000
Options Vested James Solomons	01/02/2021	2,500,000	1,750,000
Options Vested Employees and contractors	03/07/2021	841,415	906,870
Options Vested Employees and Contractors	05/02/2022	187,661	208,116
Options Vested Employees	01/08/2022	315,664	-
Options Vested Sharon Blesson	30/09/2021	600,000	300,000
Options Vested Senior Staff	29/12/2022	2,500,000	2,000,000
		<u>14,844,740</u>	<u>10,564,986</u>

The weighted average share price for the current financial year was \$0.234 (2019: \$0.555).

*Consolidation Reserve*

The reserve was formed on the reverse acquisition of assets and liabilities of King Solomon Mines Limited by Xref Pty Limited which brought the share capital of Xref Pty Limited to the share capital of King Solomon Mines Limited immediately after the reverse acquisition.

**Note 27. Equity – Dividends**

There were no dividends paid, recommended or declared during the current or previous financial year.

**Note 28. Earnings per share**

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The Group recorded losses for the years ended 30 June 2019 and 30 June 2020. The effect of including the share options in the calculation would be anti dilutive. Hence the diluted earnings per share is the same as the basic earnings per share.

The following reflects the income and share data used in the basic and diluted EPS computations.

	2020	2019
	\$	\$
Loss after income tax attributable to the owners of Xref Limited	<u>(10,056,090)</u>	<u>(8,181,826)</u>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>172,871,318</u>	<u>160,330,586</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>172,871,318</u>	<u>160,330,586</u>
	Cents	Cents
Basic earnings per share	(5.82)	(5.10)
Diluted earnings per share	(5.82)	(5.10)

**Note 29. Financial instruments**

## a. Classification of financial instruments

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and liabilities.

Group 2020	Loans and receivables at amortised cost \$	Available-for- sale financial assets \$	Financial liabilities at amortised cost \$	Total \$
<b>Financial assets</b>				
Cash and cash equivalents	2,868,794	-	-	2,868,794
Trade debtors and other receivables	1,374,769	-	-	1,374,769
Total	4,243,563	-	-	4,243,563
<b>Financial liabilities</b>				
Trade creditors and other payables	-	-	1,791,263	1,791,263
Lease liabilities	-	-	475,509	475,509
Total	-	-	2,266,772	2,266,772

Group 2019	Loans and receivables at amortised cost \$	Available-for- sale financial assets \$	Financial liabilities at amortised cost \$	Total \$
<b>Financial assets</b>				
Cash and cash equivalents	8,035,939	-	-	8,035,939
Trade debtors and other receivables	2,258,628	-	-	2,258,628
Total	10,294,567	-	-	10,294,567
<b>Financial liabilities</b>				
Trade creditors and other payables	-	-	2,387,028	2,387,028
Total	-	-	2,387,028	2,387,028

## b. Financial instrument risk management

The Group is exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity Risk
- Market Risk

The Group are exposed to market risk through their use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

The Group has a series of policies to manage the risk associated with financial instruments. Policies have been established which do not allow transactions that are speculative in nature to be entered into and the Group is not actively engaged in the trading of financial instruments. As part of this policy, limits of exposure have been set and are monitored on a regular basis.

**Note 29. Financial instruments** *continued**i. Credit risk*

Credit risk is the risk that a third party will default on its obligation to the Group, causing the Group to incur a loss.

The Group has no significant concentration of risk in relation to cash and cash equivalents, trade debtors and other financial assets.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls.

Further details in relation to the credit quality of financial assets is provided in Note 14.

*ii. Liquidity risk*

Liquidity risk represents the Group's ability to meet its contractual obligations as they fall due. The Group manages liquidity risk by managing cash flows and ensuring that adequate cash is in place to cover any potential short falls.

During the financial year expense growth remained stable from 16% in the 2019 year to 15% in 2020, with a decrease in revenue of 4% due to the impact of COVID-19. In the second half of the financial year, there was significant cost reduction. The raise of debt funding combined with ongoing strong cost control is enabling adequate management of liquidity risk.

All amounts shown as current financial liabilities are expected to be paid on demand and without interest. The Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

Group 2020	Contractual cash-flow maturities						
	Carrying amounts	Total contractual cash-flows	0-6 months	6-12 months	1 - 2 years	2-5 years	Later than 5 years
Non-derivative financial liabilities	-	-	-	-	-	-	-
Trade creditors and other payables	1,620,099	1,620,099	1,620,099	-	-	-	-
Superannuation payable	171,164	171,164	171,164	-	-	-	-
Lease liabilities	475,509	475,509	475,509	-	-	-	-
<b>Total</b>	<b>2,266,772</b>	<b>2,266,772</b>	<b>2,266,772</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Group 2019	Contractual cash-flow maturities						
	Carrying amounts	Total contractual cash-flows	0-6 months	6-12 months	1 - 2 years	2-5 years	Later than 5 years
Non-derivative financial liabilities	-	-	-	-	-	-	-
Trade creditors and other payables	1,813,561	1,813,561	1,813,561	-	-	-	-
Superannuation payable	215,375	215,375	215,375	-	-	-	-
<b>Total</b>	<b>2,028,936</b>	<b>2,028,936</b>	<b>2,028,936</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



**Note 29. Financial instruments** *continued**iii. Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

*iv. Foreign exchange risk*

The Group is exposed to fluctuations in foreign currency exchange rates as a result of maintaining foreign currency denominated bank accounts and entering into foreign currency transactions. Thus, the Group will incur a foreign exchange gain or loss each year due to the appreciation and depreciation of the Australian dollar relative to other currencies including the United States dollar, the Canadian dollar, the UK Pounds Sterling and the Norwegian krone.

The exposure to currencies of the Group is as follows:

	2020 \$	2019 \$
Canadian Dollars	130,958	290,205
UK Pound Sterling	103,130	227,165
Norwegian Krone	74,723	157,041
New Zealand Dollars	279,411	-
United States Dollar	164,724	13,631
Total	<u>752,946</u>	<u>688,042</u>

The potential impact on the bank accounts, net deficits and equity movements in foreign currency exchange rates (calculated by applying the change in foreign exchange rate to foreign currencies held at balance date) is indicated below:

Potential Foreign Exchange Rate Fluctuation	5%	10%	20%
Impact on valuation of holding in:	\$	\$	\$
Canadian Dollars	6,548	13,096	26,192
UK Pound Sterling	5,157	10,313	20,626
Norwegian Krone	3,736	7,472	14,945
New Zealand Dollar	13,971	27,941	55,882
United States Dollar	8,236	16,472	32,945
Total impact of potential change in exchange rate	<u>37,647</u>	<u>75,295</u>	<u>150,589</u>

**Foreign exchange risk**

Currency risk is the risk that the fair value of financial instruments will fluctuate due to a change in foreign exchange rates.

Most of the Group transactions are carried out in Australian Dollars (AUD). Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in United Kingdom Pounds Sterling (GBP), Canadian dollars (CAD), Norwegian Krone (NOK), New Zealand Dollar (NZD) and United States Dollar (USD).

The Group monitors foreign expenditure, seeking favorable terms when it is time to for further funding. By adopting this passive strategy, it expects its average foreign exchange rates to reflect the average foreign exchange rate for the year.

## Notes to the Financial Statements

### Note 29. Financial instruments *continued*

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into AUD at the closing rate:

Short-term exposure						
30 June 2020 – Group	Australia	United Kingdom	Canada	Norway	New Zealand	United States
Financial Assets	3,189,920	117,939	141,051	74,723	439,116	166,515
Financial Liabilities	1,599,080	79,774	248,804	-	125,568	-
Net statements of financial position exposure	1,590,840	38,165	(107,753)	74,723	313,548	166,515

Long-term exposure						
30 June 2020 – Group	Australia	United Kingdom	Canada	Norway	New Zealand	United States
Financial Assets	50,948	-	63,351	-	-	-
Financial Liabilities	33,768	-	105,052	74,726	-	-
Net statements of financial position exposure	17,180	-	(41,701)	(74,726)	-	-

Short-term exposure						
30 June 2019 – Group	Australia	United Kingdom	Canada	Norway	New Zealand	United States
Financial Assets	9,285,158	307,455	443,798	244,525	-	13,631
Financial Liabilities	1,964,604	124,554	106,402	151,872	15,722	-
Net statements of financial position exposure	7,320,554	182,901	337,396	92,653	(15,722)	13,631

Long-term exposure						
30 June 2019 – Group	Australia	United Kingdom	Canada	Norway	New Zealand	United States
Financial Assets	50,948	24,245	18,843	-	15,722	-
Financial Liabilities	-	-	-	-	-	-
Net statements of financial position exposure	50,948	24,245	18,843	-	15,722	-

**Note 29. Financial instruments** *continued***Foreign exchange risk***Sensitivity analysis*

The following analysis illustrates the sensitivity of profit and equity in regard to the Group's financial assets and financial liabilities carried in foreign currencies. It assumes a 3+/- % change in exchange rates for the year ended at 30 June 2020 (2019: 3%).

The percentage movement has been determined based on the average exchange rate market volatility for the AUD in the previous 12 months.

Group	2020		2019	
	Loss for the year	Equity	Loss for the year	Equity
3% (2019: 3%) increase in AUD against foreign currencies	(10,142,335)	(2,444,029)	(8,144,314)	2,963,850
3% (2019: 3%) decrease in AUD against foreign currencies	(10,007,031)	(2,366,425)	(8,059,861)	3,342,526

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

**Interest rate risk**

Interest rate risk is the risk that cash flows from a financial instrument will fluctuate because of changes in market interest rates.

Revenue of the Group is exposed to interest rate risk on interest bearing financial assets only as it has immaterial bank overdraft balances. The Group is also exposed to interest rate risk on interest bearing financial assets. The Group's investment in bonds all pay fixed interest rates and the interest risk exposure on money market funds is considered immaterial.

**Note 30. Cash Flow Information**

Reconciliation of net cash flow from operating activities to operating profit after tax.

	2020 \$	2019 \$
Operating profit/(loss) after income tax	(10,056,090)	(8,181,826)
<i>Non cash flows in profit:</i>		
Unearned income	1,547,442	
Options expense	130,611	619,682
Foreign exchange	82,498	(136,425)
Depreciation, amortisation, impairment	667,656	87,993
(increase)/decrease in trade and other receivables	883,858	886,100
(increase)/decrease in other assets	39,503	10,439
(increase)/decrease in prepayments	(105,445)	(170,069)
(increase)/decrease in contract assets	(398,161)	(613,757)
increase/(decrease) in trade and other payables	(414,054)	341,900
increase/(decrease) in employee benefits	239,241	117,609
increase/(decrease) in other financial liabilities	-	48,137
Net cash used in operating activities	<u>(7,382,941)</u>	<u>(5,026,457)</u>

## Notes to the Financial Statements

### Note 31. Contingencies

In the opinion of the Directors, the Company did not have any contingent assets or liabilities at 30 June 2020 (30 June 2019: None).

### Note 32. Related Parties

Related party transactions arise when an entity or person(s) has the ability to significantly influence the financial and operating policies of the Group.

The Group has a related party relationship with its Shareholders, Directors and other key management personnel.

Unless otherwise stated transactions with related parties in the years reported have been on an arms length basis, none of the transactions included special terms, conditions or guarantees. The following transactions were carried out with related parties.

#### a. Purchase of services

	2020 \$	2019 \$
Total	230,802	206,479

#### b. Other related party balances

Other related party balances Loans to directors for the year ended 30 June 2020 amounted to \$0 (2019: \$0).

#### c. Key management compensation See Information below

	2020 \$	2019 \$
Short term employee benefit	1,169,639	1,145,378
Post employment benefits	82,427	103,297
Share based payments	76,349	292,907
Total	1,328,415	1,541,582

### Note 33. Parent entity

Set out below is the supplementary information about the parent entity.

	2020 \$	2019 \$
Statement of Profit or Loss and Other Comprehensive Income		
Loss after income tax	(130,661)	(619,682)
Total comprehensive income	(130,661)	(619,682)
Statement of Financial Position		
Assets		
Total non current assets	34,730,398	30,253,229
Total Assets	34,730,398	30,253,229
Liabilities		
Total current liabilities	30,240	-
Total non-current liabilities	43,800	-
Total Liabilities	74,040	30,253,229

**Note 33. Parent entity** *continued*

	2020	2019
	\$	\$
Equity		
Issued capital	53,235,227	48,832,200
Reserves	1,797,122	1,683,195
Retained profits	<u>(20,375,991)</u>	<u>(20,262,166)</u>
Total Equity	<u>34,656,358</u>	<u>30,253,229</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

There are no guarantees entered into by the parent entity in relation to any of its subsidiaries in 2019 or 2020.

*Contingent liabilities*

The parent entity had no contingent liabilities in 2020 and 2019.

*Capital commitments Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment in 2020 and 2019

**Note 34. Operating lease not capitalised**

Operating leases are held for premises used for office space. Lease commitments net of incentive payments are:

	2020	2019
	\$	\$
non cancellable operating leases are payable as follows:		
Less than one year	-	797,727
Later than one year and not greater than two years	-	345,561
Later than two years and not greater than five years	<u>-</u>	<u>122,558</u>
	<u>-</u>	<u>1,265,846</u>

The Group had no other commitments at 30 June 2020 (2019: \$Nil).

**Note 35. Events Occurring After the Reporting Date**

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries. Despite the impact, Xref recorded its lowest cash burn quarter since listing, in Quarter 4 2020 due to a focus on cost reduction that has been ongoing since December 2019 combined with strong sales from those sectors deemed essential services. This cost reduction focus, both prior to the outbreak of COVID-19 and after has been a financially positive outcome. Management has reviewed the company's cashflow forecast as a result of COVID-19 and made changes accordingly.

On July 8, 2020 the Board approved the issue of 2,674,632 new fully paid ordinary shares to 56 Xref staff. These shares were issued at the then average volume-weighted share price of 18 cents. The shares were issued to replace the forgone earnings of all Xref staff who were reduced to working 4 days per week for the last quarter of the financial year, including a proportion of individual performance bonuses forgone for the same quarter which were also replaced with shares. Additionally shares were issued to members of the sales team as part of a commission scheme restructure. This announcement was released to the market on 8 July 2020.

Xref returned to a five-day working week on the 1st July as a result of the successful fourth quarter.

**Note 35. Events Occurring After the Reporting Date** *continued*

On July 20, 2020, the Board approved the issue of 2,931,099 Options with an exercise price of 35 cents to 50 eligible employees as part of the Xref Employee Option plan. The options vest on 15 January 2021 and are exercisable until 15 January 2024. This announcement was released to the market on 20 July 2020.

On July 31, 2020 Xref entered into a secured \$5m debt facility with Pure Asset Management to support the Company's growth strategies. Net of establishment costs the amount received was \$4.825m. This included the issue of 14,285,714 detached warrants at an exercise price of 35 cents which expire on July 31, 2024. Full details of the facility were announced to the market on 31 July 2020.

**Note 36. Business combination**

On 9 August 2019 Xref Limited acquired 100% of the ordinary shares of Rapid ID Pty Limited for the total consideration of \$1,712,040. Rapid ID is an ID verification and fraud prevention platform which aggregates leading customer verification technologies to offer its clients a flexible and seamless integration for onboarding and risk analysis monitoring. The platform is able to perform GlobalID Checks, AML & KYC Compliance, ID Document Verification and Biometric Verification. It was acquired to offer Xref's clients with an integrated method to verify the identity of the candidates they are working with.

In addition Rapid ID remains as a standalone product servicing the needs of clients outside of the HR sector which opens up opportunities for Xref's platform in new sectors. The goodwill of \$1,333,986 represents the expected synergies from merging this business with Xref along with the significant opportunity to increase Rapid ID's revenues through sales to Xref's client base. Rapid ID is built on the same technology as Xref and utilises the same backend applications to manage the business thus providing opportunities to streamline its cost base without any impact to revenue.

The acquired business contributed revenues of \$247,109 and loss after tax of \$304,109 to the Group for the period from 9 August 2019 to 30 June 2020. If the acquisition occurred on 1 July 2019, the full year contributions would have been revenues of \$258,023 and loss after tax of \$351,564. The values identified in relation to the acquisition of Rapid ID are final as at 30 June 2020.



**Note 36. Business combination** *continued*

Set out below are summaries of options granted under the plan:

	Fair value \$
Cash and cash equivalents	16,056
Trade receivables	14,220
Other receivables	7,399
Prepayments checks	60,689
Plant and equipment	1,836
Intangible assets	375,000
Trade payables	(24,737)
Other payables	(15,103)
Employee expenses	(2,306)
Loans	(55,000)
Net assets acquired	378,054
Goodwill	1,333,986
	<hr/>
Acquisition date fair value for the total consideration transferred	1,712,040
Representing:	
Cash consideration	600,000
Equity consideration	900,000
Ashley Hoey Tranche 1 Shares	138,000
Ashley Hoey Tranche 2 Shares	30,240
Ashley Hoey Tranche 3 Shares	43,800
Total consideration	1,712,040
	<hr/> <hr/>
<i>Cash used to acquire business, net of cash acquired:</i>	
Acquisition date fair value of total consideration transferred	600,000
Less: cash and cash equivalents	(16,056)
Net cash used	583,944
	<hr/> <hr/>

RapidID's founder, Ashley Hoey, joined Xref to continue development of the RapidID platform and immediately received 300,000 shares at an issue price of \$0.46 per share and a total transactional value of \$138,000. On the 1st Anniversary (08/08/2020) of his employment, he will receive another 300,000 shares (Tranche 1) and a further 300,000 shares (Tranche 2) on the 2nd Anniversary (08/08/2021).

## Director's Declaration

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The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2020 are in accordance with the Corporations Act 2001 and:
  - a. comply with Accounting Standards, which, as stated in basis of preparation Note 2 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position and performance of the consolidated group;
  
2. the Chief Executive Officer and Chief Finance Officer have given the declarations required by Section 295A that:
  - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view.
  
3. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable with the continuing support of creditors.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

This declaration is made in accordance with a resolution of the Board of Directors.



**Lee-Martin Seymour**  
Managing Director

31 August 2020

Sydney



**Brad Rosser**  
Chairman

31 August 2020

Sydney

# Independent Auditor's Report to the Members of Xref Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Xref Limited (the Company and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended;
- (b) and complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss Verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Sydney, an affiliate of Findex (Aust) Pty Ltd. Liability limited by a scheme approved under Professional Standards Legislation.

## Emphasis of Matter – COVID-19

We draw attention to Note 5 of the financial statements, which describes the effects of the World Health Organisation's declaration of a global health emergency on 31 January 2020 relating to the spread of COVID-19. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How we addressed the Key Audit Matter
<b>Business Combination</b>	
<p>In the current year, the Group acquired 100% ordinary shares of RapidID Pty Limited for a total consideration of \$1,712,040, disclosed as per Note 36.</p> <p>RapidID Pty Limited is an ID verification and fraud prevention platform which aggregates leading customer verification technologies to offer its clients a flexible and seamless integration for onboarding and risk analysis monitoring.</p>	<p>We critically analysed the Group's business combination workings to ensure its appropriateness with AASB 3 Business Combinations, including performing the following procedures:</p> <ul style="list-style-type: none"> <li>a) We thoroughly reviewed the acquisition agreement to ensure the acquisition met the definition of business combination under AASB 3 <i>Business Combinations</i>.</li> <li>b) We obtained the fair value assessment performed by the independent valuers on the balance sheet of RapidID as at 30 June 2019 as well as the contingent consideration payable. We performed a review to challenge the assumptions and estimates used within the different valuation reports to ascertain their appropriateness.</li> </ul>
<b>Goodwill Impairment</b>	
<p>The acquisition of Rapid ID resulted in a recognition of Goodwill on consolidation of \$1,333,986. The Goodwill represents the expected synergies from merging Rapid ID with Xref along with the significant opportunity to increase Rapid ID's revenue through Xref's client base.</p> <p>As per the requirements of AASB 136 Impairment of Assets, an annual review of Goodwill for the cash generating unit (CGU) Rapid ID Pty Limited was performed based on a discounted cashflow. Given the CGU is loss making, the other revenue generating assets were also taken into consideration for the purposes of impairment testing.</p>	<p>We obtained management's discounted cashflow forecast for the cash generating unit Rapid ID Pty Limited, critically evaluated the key assumptions and estimates used which have been disclosed as per Note 18, to ascertain impairment, including performing the following procedures:</p> <ul style="list-style-type: none"> <li>a) We discussed with management the basis for using the significant assumptions and inputs used in the discounted cashflow, and challenged its appropriateness.</li> <li>b) Obtained reports of relevant industries to incorporate the fluctuations of the market and counter management's long-term growth rates utilised in the calculation.</li> </ul>

Key Audit Matter	How we addressed the Key Audit Matter
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- c) We interrogated the discount cashflow forecast using different inputs as a means to perform a sensitivity analysis.

### Going Concern Assessment

The Group incurred a loss of \$10,056,090 (2019: \$8,181,826), deficiency in net current assets of \$4,718,252 (2019: \$2,658,488 net current asset position) and a deficiency of net assets of \$2,404,063 (2019: \$3,158,865 net asset position). Notwithstanding the continued losses, net current asset deficiency and net asset deficiency, the financial statements have been prepared on a going concern basis based on the actions undertaken by management as outlined in Note 3(x) of the financial report.

We critically analysed the Group's cashflow forecast, including the potential impact of COVID-19, that was used to support the going concern assessment, including performing the following procedures:

- a) We compared the prior year cash flow forecast prepared by management with the actual cashflows achieved and obtained justification from management on variances in order to evaluate the validity of management's current forecasting processes.
- b) We interrogated the cashflow forecast using different inputs as a means to perform a sensitivity analysis.
- c) We discussed with management the significant assumptions and inputs used in the cashflow forecast, comparing the inputs used with historical results, and obtained reasonable justification for those inputs that differ from historical results.
- d) We reviewed post balance date performance of the entity up to the date of signing the audit report to determine if the business performance was consistent with management's expectations.
- e) We confirmed the receipt of \$4,825,000 funding post year end.

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial report. The auditor is responsible for the direction, supervision and performance of the group audit. The auditor remains solely responsible for the audit opinion.



We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

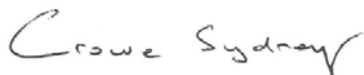
### Opinion on the Remuneration Report

We have audited the remuneration report included on pages 15 to 22 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Xref Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.



**Crowe Sydney**



**Ash Pather**

Partner

31 August 2020

Sydney

## Shareholder Information

Information relating to shareholders, as required by ASX Listing Rule 4.10, and not disclosed elsewhere in this Annual Report, is detailed below.

Substantial Shareholders of the Company as at 11 August 2020, based on Substantial Shareholder Notices received by the ASX and the Company:

Substantial Shareholders	Shareholding	% Shares Issued
Squirrel Holdings Australia Pty Ltd	30,857,613	18.64
West Riding Investments Pty Ltd	30,857,612	18.64
National Nominees Ltd ACF Australian Ethical Investment Limited	9,266,725	5.20

Based on the market price at 11 August 2020 there were 318 shareholders with less than a marketable parcel of 3,226 shares at a share price of \$0.155.

Number of Ordinary Shares Held	Number of Holders	Ordinary Shares	% of Total Issue Capital
1 - 1,000	148	58,978	0.03
1,001 - 5,000	334	1,102,465	0.61
5,001 - 10,000	255	2,037,678	1.13
10,001 - 100,000	587	20,908,649	11.57
100,001 and over	109	156,622,613	86.66
Total	1,433	180,730,383	100.00

### Top 20 Holders of Ordinary Shares as at 11 August 2020

Rank	Name of Shareholder	Shares	% of Shares
1	Squirrel Holdings Australia Pty Ltd <Griffiths Family A/C>	30,857,613	17.07
2	West Riding Investments Pty Ltd <Seymour Family A/C>	30,857,612	17.07
3	Netwealth Investments Limited <Wrap Services A/C>	16,435,130	9.09
4	National Nominees Limited	12,994,773	7.19
5	HSBC Custody Nominees (Australia) Limited	12,171,139	6.73
6	UBS Nominees Pty Ltd	5,195,668	2.87
7	J P Morgan Nominees Australia Pty Limited	4,113,187	2.28
8	Citicorp Nominees Pty Limited	3,927,212	2.17
9	CS Fourth Nominees Pty Limited <HSBC Cust Nom Au Ltd 11 A/C>	1,864,227	1.03
10	BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	1,475,301	0.82
11	Kembla No 20 Pty Ltd <J Shuster Retire Fund A/C>	1,300,000	0.72
12	Mijon Investments Pty Ltd <The Mijon S/F A/C>	1,232,004	0.68
13	Brispot Nominees Pty Ltd <House Head Nominee A/C>	1,166,425	0.65
14	TDF Properties Pty Ltd <The TDF Property A/C>	1,100,000	0.61
15	HSBC Custody Nominees (Australia) Limited - A/C 2	1,056,840	0.58
16	Parkstone House Pty Ltd	1,019,410	0.56
17	First Trustee Company (NZ) Limited <Ian Roger Moore A/C>	1,000,000	0.55
18	Lynter Pty Ltd <Herfort Super Fund A/C>	1,000,000	0.55
19	Gang-Gang Pty Ltd <Pippa A/C>	920,000	0.51
20	Schindler Investment Haus Pty Ltd <Schindler Super Fund A/C>	912,500	0.50
	Total of Top 20 Holdings	130,599,041	72.23
	Other Holdings	50,131,342	27.77
	<b>Total Fully Paid Shares Issued</b>	<b>180,730,383</b>	<b>100.00</b>

### Performance Rights as at 11 August 2020

Name of Performance Holder	Performance Shares the Holder is Entitled to
Squirrel Holdings Australia Pty Ltd <Griffiths Family A/C>	C Class Performance Rights: 8,333,333
West Riding Investments Pty Ltd <Seymour Family A/C>	C Class Performance Rights: 8,333,333
<b>Total</b>	<b>16,666,666</b>

The conversion ratio of the Performance Rights into ordinary shares upon achievement of a relevant performance milestone is one ordinary share for each Performance Right. The abovenamed two holders own 100% of the securities in the Performance Right class of equity securities. The C Class Conversion Event Upon the Group occurs during any six-month reporting period of the Company that ends on, or prior to, five years after the date of issue of the Performance Rights, being 20 January 2021, and achieving EBITDA of A\$2,500,000 or more. The Performance Rights were in escrow until 8 February 2018.

## Shareholder Information

### Options as at 11 August 2020

Name of Option Holder	Shares the Option Holder is Entitled to	Exercise Price	Option Expiry Date
Brad Rosser	4,500,000	\$0.70	25 November 2021
Brad Rosser	2,500,000	\$0.70	25 November 2022
Nigel Heap	900,000	\$0.70	25 November 2021
48 employees and contractors (under Employee Option Plan)	889,394	\$0.585	3 July 2021
14 employees (under Employee Option Plan)	144,685	\$0.66	5 February 2022
James Solomons (under Employee Option Plan)	1,000,000	\$0.70	12 February 2021
James Solomons (under Employee Option Plan)	750,000	\$0.70	12 February 2022
James Solomons (under Employee Option Plan)	750,000	\$0.70	12 February 2023
31 employees and contractors (under Employee Option Plan)	303,711	\$0.66	1 August 2022
Five senior staff members (under Employee Option Plan)	2,500,000	\$0.70	29 November 2022
Sharon Blesson (under Employee Option Plan)	300,000	\$0.70	3 September 2021
Sharon Blesson (under Employee Option Plan)	300,000	\$0.70	3 September 2022
Sharon Blesson (under Employee Option Plan)	300,000	\$0.70	3 September 2023
50 employees and contractors (under Employee Option Plan)	2,931,099	\$0.35	15 January 2024
Total	18,068,889		

### Warrants as at 11 August 2020

Name of Warrant Holder	Warrants the Holder is Entitled to	Exercise Price	Expiry Date
Pure Asset Management Pty Ltd	14,285,714	\$0.35	23 July 2024

### Voting Rights

At general meetings of the Company, all fully paid ordinary shares carry one vote per share without restriction. On a show of hands, every member present at a general meeting, or by proxy, shall have one vote and, upon a poll, each share shall have one vote. Performance Rights holders, Option holders and Warrant holders have no voting rights until the Performance Rights are converted, the Options are exercised and the Warrants are exercised, respectively.

### On-Market Buy-Back

There is no current on-market buy-back of shares in the Company.

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# Corporate Directory

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## PLACE OF BUSINESS

### Australia (Head Office and Registered Office)

Suite 17, 13 Hickson Road  
Dawes Point, NSW 2000  
Tel: +61 2 8244 3099

### United Kingdom

46 New Broad Street  
London

### Canada

Suite 202  
1 Adelaide Street East  
Toronto, Ontario

### United States

Suite 500  
13809 Research Blvd  
Austin, Texas

### New Zealand

Level 10  
11 Britomart Place  
Auckland

## DIRECTORS

**Brad Rosser**  
Chairman

**Lee-Martin Seymour**

**Tim Griffiths**

**Nigel Heap**

## LEADERSHIP TEAM

**Lee-Martin Seymour**  
Chief Executive Officer,  
Co-Founder

**Tim Griffiths**  
Chief Strategy Officer,  
Co-Founder

**James Solomons**  
Chief Financial Officer

**Sharon Blesson**  
Chief Operating Officer

## COMPANY SECRETARY

**Robert Waring**

**Website**  
xref.com

## AUDITORS

**Crowe Sydney**  
Level 15  
1 O'Connell Street  
Sydney NSW 2000  
Tel: +61 2 9262 2155

## STOCK EXCHANGE

The company's ordinary shares are listed on the ASX under code XF1

## SHARE REGISTRY

**Computershare Investor Services Pty Ltd**  
Yarra Falls,  
452 Johnston Street  
Abbotsford, Victoria  
Australia 3067  
www.investorcentre.com/au

Tel: 1300 850 505  
(within Australia)

Tel: + 61 3 9415 4000  
(outside Australia)









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**xref.com**